
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____
Commission File Number: 001 — 32622

EVERI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

7250 S. TENAYA WAY, SUITE 100

LAS VEGAS, NEVADA

(Address of principal executive offices)

20-0723270

(I.R.S. Employer
Identification No.)

89113

(Zip Code)

Registrant's telephone number, including area code:
(800) 833-7110

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 1, 2018, there were 69,545,760 shares of the registrant's \$0.001 par value per share common stock outstanding.

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements.

EVERI HOLDINGS INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except earnings (loss) per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues				
Games revenues				
Gaming operations	\$ 43,022	\$ 36,869	\$ 83,078	\$ 73,400
Gaming equipment and systems	22,278	17,557	42,431	36,281
Gaming other	648	678	656	699
Games total revenues	65,948	55,104	126,165	110,380
FinTech revenues				
Cash access services	39,739	175,442	77,958	347,175
Equipment	4,765	3,697	9,183	5,997
Information services and other	8,230	7,987	16,377	16,215
FinTech total revenues	52,734	187,126	103,518	369,387
Total revenues	118,682	242,230	229,683	479,767
Costs and expenses				
Games cost of revenues (1)				
Gaming operations	4,211	3,963	8,393	7,171
Gaming equipment and systems	12,045	8,740	22,786	17,976
Gaming other	559	536	559	536
Games total cost of revenues	16,815	13,239	31,738	25,683
FinTech cost of revenues (1)				
Cash access services	2,446	142,445	4,676	281,106
Equipment	3,426	2,212	5,940	3,631
Information services and other	980	810	2,197	1,529
FinTech total cost of revenues	6,852	145,467	12,813	286,266
Operating expenses	37,570	28,779	69,757	57,772
Research and development	4,595	4,618	8,906	9,161
Depreciation	13,701	11,396	26,526	22,226
Amortization	16,552	17,439	32,855	34,764
Total costs and expenses	96,085	220,938	182,595	435,872
Operating income	22,597	21,292	47,088	43,895

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Other expenses				
Interest expense, net of interest income	22,122	23,881	42,429	48,938
Loss on extinguishment of debt	166	14,615	166	14,615
Total other expenses	22,288	38,496	42,595	63,553
Income (loss) before income tax	309	(17,204)	4,493	(19,658)
Income tax (benefit) provision	(1,166)	1,853	(1,591)	2,907
Net income (loss)	1,475	(19,057)	6,084	(22,565)
Foreign currency translation	(1,058)	836	(735)	1,108
Comprehensive income (loss)	\$ 417	\$ (18,221)	\$ 5,349	\$ (21,457)
Earnings (loss) per share				
Basic	\$ 0.02	\$ (0.29)	\$ 0.09	\$ (0.34)
Diluted	\$ 0.02	\$ (0.29)	\$ 0.08	\$ (0.34)
Weighted average common shares outstanding				
Basic	69,203	66,350	68,946	66,221
Diluted	73,440	66,350	73,323	66,221

(1) Exclusive of depreciation and amortization.

The 2018 results include the impact of adopting the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification Topic 606 *Revenues from Contracts with Customers* ("ASC 606"). Refer to "Note 2 — Basis of Presentation and Summary of Significant Accounting Policies" and "Note 3 — Adoption of ASC 606, Revenue from Contracts with Customers" to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for more information.

See notes to unaudited condensed consolidated financial statements.

EVERI HOLDINGS INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value amounts)

	At June 30, <u>2018</u>	At December 31, <u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 110,164	\$ 128,586
Settlement receivables	139,314	227,403
Trade and other receivables, net of allowances for doubtful accounts of \$5,438 and \$4,706 at June 30, 2018 and December 31, 2017, respectively	61,583	47,782
Inventory	23,527	23,967
Prepaid expenses and other assets	19,763	20,670
Total current assets	<u>354,351</u>	<u>448,408</u>
Non-current assets		
Property, equipment and leased assets, net	123,348	113,519
Goodwill	640,560	640,589
Other intangible assets, net	306,647	324,311
Other receivables	8,673	2,638
Other assets	6,237	7,609
Total non-current assets	<u>1,085,465</u>	<u>1,088,666</u>
Total assets	<u>\$ 1,439,816</u>	<u>\$ 1,537,074</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Settlement liabilities	\$ 217,473	\$ 317,744
Accounts payable and accrued expenses	132,496	134,504
Current portion of long-term debt	8,200	8,200
Total current liabilities	<u>358,169</u>	<u>460,448</u>
Non-current liabilities		
Deferred tax liability	36,297	38,207
Long-term debt, less current portion	1,157,397	1,159,643
Other accrued expenses and liabilities	8,227	19,409
Total non-current liabilities	<u>1,201,921</u>	<u>1,217,259</u>
Total liabilities	<u>1,560,090</u>	<u>1,677,707</u>
Commitments and contingencies (Note 13)		
Stockholders' deficit		
Common stock, \$0.001 par value, 500,000 shares authorized and 94,408 and 93,120 shares issued at June 30, 2018 and December 31, 2017, respectively	94	93
Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and no shares outstanding at June 30, 2018 and December 31, 2017, respectively	—	—
Additional paid-in capital	292,750	282,070
Accumulated deficit	(235,741)	(246,202)
Accumulated other comprehensive loss	(988)	(253)
Treasury stock, at cost, 24,889 and 24,883 shares at June 30, 2018 and December 31, 2017, respectively	(176,389)	(176,341)
Total stockholders' deficit	<u>(120,274)</u>	<u>(140,633)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,439,816</u>	<u>\$ 1,537,074</u>

See notes to unaudited condensed consolidated financial statements.

EVERI HOLDINGS INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities		
Net income (loss)	\$ 6,084	\$ (22,565)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	59,381	56,990
Amortization of financing costs and discounts	3,061	3,186
Loss on sale or disposal of assets	215	1,399
Accretion of contract rights	4,178	3,909
Provision for bad debts	5,114	5,170
Deferred income taxes	(1,909)	2,565
Write-down of inventory and fixed assets	2,575	—
Reserve for obsolescence	1,053	266
Loss on extinguishment of debt	166	14,615
Stock-based compensation	4,305	3,480
Changes in operating assets and liabilities:		
Settlement receivables	87,336	81,590
Trade and other receivables	(20,230)	5,283
Inventory	(2,359)	(2,890)
Prepaid and other assets	1,977	(1,957)
Settlement liabilities	(99,859)	(93,479)
Accounts payable and accrued expenses	(1,857)	16,530
Net cash provided by operating activities	49,231	74,092
Cash flows from investing activities		
Capital expenditures	(57,936)	(43,696)
Proceeds from sale of fixed assets	79	2
Placement fee agreements	(10,117)	(3,044)
Net cash used in investing activities	(67,974)	(46,738)
Cash flows from financing activities		
Proceeds from current credit facility	—	820,000
Repayments of prior credit facility	—	(465,600)
Repayments of secured notes	—	(335,000)
Repayments of credit facilities	(4,100)	—
Debt issuance costs and discounts	(1,276)	(19,663)
Proceeds from exercise of stock options	6,373	1,799
Purchase of treasury stock	(47)	(11)
Net cash provided by financing activities	950	1,525
Effect of exchange rates on cash	(620)	882
Cash, cash equivalents and restricted cash		
Net (decrease) increase for the period	(18,413)	29,761
Balance, beginning of the period	129,604	119,438
Balance, end of the period	\$ 111,191	\$ 149,199

See notes to unaudited condensed consolidated financial statements.

	Six Months Ended June 30,	
	2018	2017
Supplemental cash disclosures		
Cash paid for interest	\$ 42,844	\$ 29,485
Cash paid for income tax	223	669
Cash refunded for income tax	1	200
Supplemental non-cash disclosures		
Accrued and unpaid capital expenditures	\$ 2,650	\$ 3,822
Transfer of leased gaming equipment to inventory	4,519	4,237

See notes to unaudited condensed consolidated financial statements.

EVERI HOLDINGS INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In this filing, we refer to: (i) our unaudited condensed consolidated financial statements and notes thereto as our “Financial Statements,” (ii) our Unaudited Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) as our “Statements of Income (Loss),” (iii) our Unaudited Condensed Consolidated Balance Sheets as our “Balance Sheets,” and (iv) our Unaudited Condensed Consolidated Statements of Cash Flows as our “Cash Flows.”

1. BUSINESS

Everi Holdings Inc. (“Everi Holdings”, “Holdings” or “Everi”) is a holding company, the assets of which are the issued and outstanding shares of capital stock of each of Everi Games Holding Inc. (“Everi Games Holding”), which owns all of the issued and outstanding shares of capital stock of Everi Games Inc. (“Everi Games” or “Games”) and Everi Payments Inc. (“Everi Payments” or “Payments”). Unless otherwise indicated, the terms the “Company,” “we,” “us” and “our” refer to Holdings together with its consolidated subsidiaries. Everi Holdings reports results of its operations based on the two operating segments: Games and Payments. Effective April 1, 2018, we changed the name of the operating segment previously referred to as “Payments” to “Financial Technology Solutions” (“Everi FinTech” or “FinTech”). We believe this reference more accurately reflects the focus of the business segment on delivering innovative and integrated solutions. Everi’s FinTech solutions provide actionable information to enhance the efficiency of the casino operator, support the comprehensive regulatory and tax requirements of their gaming customers and improve players’ gaming experience by providing easy access to their funds and payment of winnings .

Everi is a leading supplier of technology solutions for the casino gaming industry. We provide casino operators with a diverse portfolio of products including innovative gaming machines that power the casino floor, and casino operational and management systems that include comprehensive end-to-end payments solutions, critical intelligence offerings, and gaming operations efficiency technology.

Everi Games provides a number of products and services for casinos, including (a) gaming machines comprised primarily of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including the award-winning TournEvent®; and (b) system software, licenses, ancillary equipment and maintenance to its casino customers. Everi Games also develops and manages the central determinant system for the video lottery terminals installed in the State of New York.

Everi FinTech provides its casino customers cash access and related products and services including: (a) access to cash at gaming facilities via Automated Teller Machine (“ATM”) cash withdrawals, credit card cash access transactions, point of sale (“POS”) debit card transactions and check verification and warranty services; (b) equipment that provides cash access and efficiency related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, internet-based gaming and lottery activities.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our unaudited condensed consolidated financial statements included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Some of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) have been condensed or omitted pursuant to such rules and regulations, although we believe the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary for a fair statement of results for the interim periods have been made. The results for the three and six months ended June 30, 2018 are not necessarily indicative of results to be expected for the full fiscal year. The Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Other than the adoption of ASU 2014-09 and all subsequent amendments (collectively, ASC 606) and Accounting Standards Update (“ ASU ”) No. 2016- 1 8, there have been no changes to our basis of presentation and significant accounting policies since the most recent filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 .

Overall – Revenue Recognition

We evaluate the recognition of revenue based on the criteria set forth in ASC 606 and ASC 840, as appropriate. We recognize revenue upon transferring control of goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services in accordance with ASC 606. We enter into contracts with customers that may include various combinations of goods and services. Timing of the transfer of control varies based on the nature of the contract. We recognize revenue net of any sales and other taxes collected from customers, which are subsequently remitted to governmental authorities and are not included in revenues or operating expenses. We measure revenue based on the consideration specified in a contract with a customer and adjusted, as necessary, in accordance with ASC 606.

We evaluate the composition of our revenues to ensure compliance with SEC Regulation S-X Section 210.5-03, which requires us to separately present certain categories of revenues that exceed the quantitative threshold on our Statements of Income (Loss).

Significant Judgments

ASC 606 requires that we apply judgments or estimates to determine the performance obligations and the Stand-Alone Selling Price (“SSP”) of each identified performance obligation. The establishment of SSP requires judgment as to whether there is a sufficient quantity of items sold or renewed on a stand-alone basis and those prices demonstrate an appropriate level of concentration to conclude that a SSP exists. The SSP of our goods and services are generally determined based on observable prices, an adjusted market assessment approach or an expected cost plus margin approach. We only utilize a residual approach when the SSP for performance obligations with observable prices have been established and the remaining performance obligation in the contract with a customer does not have an observable price as it is uncertain or highly variable and, therefore, is not discernable.

Collectability

To assess collectability, we determine whether it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods and services transferred to the customer in accordance with the terms and conditions of the contract. In connection with these procedures, we evaluate the customer using internal and external information available, including, but not limited to, research and analysis of the credit history with the customer. Based on the nature of our transactions and historical trends, we determine whether our customers have the ability and intention to pay the amounts of consideration when they become due to identify potentially significant credit risk exposure.

Contract Combinations - Multiple Promised Goods and Services

Our contracts may include promises to transfer multiple goods and services to a customer. Our Games and FinTech businesses may enter into multiple agreements with the same customer that meet the criteria to be combined for accounting purposes under ASC 606. When this occurs, a SSP will be determined for each performance obligation in the combined arrangement and the consideration allocated between the respective performance obligations. We use our judgment to analyze the nature of the promises made and determine whether each is distinct or should be combined with other promises in the contract based on the level of integration and interdependency between the individual deliverables.

Disaggregation of Revenues

We disaggregate revenues based on the nature and timing of the cash flows generated by such revenues as presented in “Note 18 — Segment Information.”

Outbound Freight Costs

Upon transferring control of a good to a customer, the shipping and handling costs in connection with sale transactions are accounted for as fulfillment costs and included in cost of revenues.

Costs to Acquire a Contract with a Customer

We typically incur incremental costs to acquire customer contracts in the form of sales commission expenses. We evaluate those acquisition costs for groups of contracts with similar characteristics, based on the nature of the transactions. The incremental costs to acquire customer contracts identified would be amortized within one year and, as a result, we elected to utilize the practical expedient set forth in ASC 340-40, Contract Costs – *Incremental Costs of Obtaining a Contract* to expense these amounts as incurred.

Asset Balances

In connection with the adoption of ASC 606 utilizing the modified retrospective transition method, we recorded an immaterial cumulative adjustment with respect to certain amounts that had been previously deferred under the then existing revenue recognition guidance as of December 31, 2017 that required recognition under ASC 606 as of the effective date of adoption in accumulated deficit.

Games Revenues

Gaming Operations

Games revenues are primarily generated by our gaming operations under placement, participation and development arrangements in which we provide our customers with player terminals, player terminal-content licenses, central determinant systems for devices placed in service in licensed jurisdictions and back-office equipment, collectively referred to herein as leased gaming equipment. We evaluate the recognition of lease revenues based on criteria set forth in ASC 840. Generally, under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities and we receive revenues based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee based on the number of player terminals installed at the facility. Revenues from lease participation or daily fee arrangements are considered both realizable and earned at the end of each gaming day.

Gaming operations revenues generated by leased gaming equipment deployed at sites under development or placement fee agreements give rise to contract rights, which are amounts recorded to intangible assets for dedicated floor space resulting from such agreements. The gaming operations revenues generated by these arrangements are reduced by the accretion of contract rights, which represents the related amortization of the contract rights recorded in connection with those agreements.

Gaming operations revenues include revenues generated by Wide Area Progressive (“WAP”) systems, which consist of linked slot machines located in multiple casino properties that are connected to a central system. WAP-based gaming machines have a progressive jackpot we administer that increases with every wager until a player wins the top award combination. Casino operators pay us a percentage of the coin-in (the total amount wagered) for services related to the design, assembly, installation, operation, maintenance, administration and marketing of the WAP systems. The gaming operations revenues with respect to WAP-based gaming machines are presented in the Statements of Income (Loss) net of the jackpot expense, which is comprised of incremental amount funded by a portion of the coin-in from players. At such time a jackpot is won by a player, an additional jackpot expense is recorded with respect to the base seed amount required to fund the minimum level required by the respective WAP arrangement with the casino operator.

Gaming Equipment and Systems

Gaming equipment and systems revenues are derived from the sale of gaming equipment to our customers under contracts on standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

Gaming Other

Gaming other revenues primarily consist of our TournEvent of Champions® national tournament and are recognized over a period of time as the customer simultaneously receives and consumes the benefits.

FinTech Revenues

Cash Access Services

Cash access services revenues are comprised of cash advance, ATM and check services revenue streams. We do not control the cash advance and ATM services provided to a customer and, therefore, we are acting as an agent whose performance obligation is to arrange for the provision of these services.

Cash advance revenues are comprised of transaction fees assessed to gaming patrons in connection with credit card cash access and POS debit card cash access transactions. Such fees are primarily based on a combination of a fixed amount plus a percentage of the face amount of the credit card cash access or POS debit card cash access transaction amount. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third party partners.

ATM revenues are primarily comprised of transaction fees in the form of cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals at the time the transactions are authorized and reverse interchange fees paid to us by the patrons' issuing banks. The cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals are currently a fixed dollar amount and not a percentage of the transaction amount. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third party partners.

Check services revenues are principally comprised of check warranty revenues and are generally based upon a percentage of the face amount of checks warranted. These fees are paid to us by gaming establishments.

For cash access services arrangements, we recognize revenues over a period of time using an output method depicting the transfer of control to the customer based on variable consideration, such as volume of transactions processed with variability generally resolved in the reporting period.

Equipment

Equipment revenues are derived from the sale of equipment under contracts with standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

Information Services and Other

Information services and other revenues include amounts derived from the sale of: (i) software licenses, software subscriptions, professional services and certain other ancillary fees; (ii) service related fees associated with the sale, installation and maintenance of equipment directly to our customers under contracts on standard credit terms, which are generally short-term in nature, secured by the related equipment, (iii) credit worthiness related software subscription services that are based upon either a flat monthly unlimited usage fee or a variable fee structure driven by the volume of patron credit histories generated; and (iv) ancillary marketing, database and internet-based gaming related activities.

Our software represents a functional right-to-use license and the revenues are recognized at a point in time. Subscription services represent a stand-ready performance obligation and the revenues are recognized over a period of time using an input method based on time elapsed. Professional and other services revenues are recognized over a period of time using an input method based on time elapsed as services are provided, thereby reflecting the transfer of control to the customer.

Restricted Cash

Our restricted cash primarily consists of: (i) deposits held in connection with a sponsorship agreement; (ii) WAP-related restricted funds; and (iii) Internet related cash access activities. The current portion of restricted cash, which is included in prepaid expenses and other assets, was approximately \$0.9 million as of June 30, 2018 and December 31, 2017. The non-current portion of restricted cash, which is included in other assets, was approximately \$0.1 million as of June 30, 2018 and December 31, 2017. The current portion of restricted cash was approximately \$0.5 million and \$0.3 million as of June 30, 2017 and December 31, 2016, respectively. The non-current portion of restricted cash was approximately \$0.1 million as of June 30, 2017 and December 31, 2016.

Fair Values of Financial Instruments

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time, based upon relevant market information about the financial instrument.

The carrying amount of cash and cash equivalents, settlement receivables, short-term trade and other receivables, settlement liabilities, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments. The fair value of the long-term trade and loans receivable is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. As of June 30, 2018 and December 31, 2017, the fair value of notes receivable, net, approximated the carrying value due to contractual terms of trade and loans receivable generally being under 24 months. The fair value of our borrowings is estimated based on various inputs to determine a market price, such as: market demand and supply, size of tranche, maturity and similar instruments trading in more active markets. The estimated fair value and outstanding balances of our borrowings are as follows (in thousands).

	Level of Hierarchy	Fair Value	Outstanding Balance
June 30, 2018			
Term loan	2	\$ 815,372	\$ 811,800
Senior unsecured notes	1	\$ 375,938	\$ 375,000
December 31, 2017			
Term loan	2	\$ 826,099	\$ 815,900
Senior unsecured notes	1	\$ 372,656	\$ 375,000

The term loan facility was reported at fair value using a Level 2 input as there were quoted prices in markets that were not considered active as of June 30, 2018 and December 31, 2017. The senior unsecured notes were reported at fair value using a Level 1 input as there were quoted prices in markets that were considered active as of June 30, 2018 and December 31, 2017.

Reclassification of Prior Year Balances

Reclassifications were made to the prior-period Financial Statements to conform to the current period presentation, except for the adoption impact of the application of ASC 606 utilizing the modified retrospective transition method.

Recent Accounting Guidance

Recently Adopted Accounting Guidance

In March 2018, the FASB issued ASU No. 2018-05, which provides guidance on accounting for the tax effects of the 2017 Tax Act (pursuant to SEC Staff Accounting Bulletin No. 118). The new standard is effective March 13, 2018. We have adopted this guidance in the quarter ended March 31, 2018. In accordance with this guidance, some of the income tax effects recorded in 2017 are provisional and they may be adjusted during 2018.

In May 2014, the FASB issued ASU No. 2014-09, which creates ASC 606 and supersedes ASC Topic 605, "Revenue Recognition." The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. The guidance in ASU 2014-09 was further updated by ASU 2016-08 in March 2016, which provided clarification on the implementation of the principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, which provides clarification on the implementation of performance obligations and licensing in ASU 2014-09. In May 2016, the FASB issued ASU 2016-11, which amended guidance provided in two SEC Staff Announcements at the March 3, 2016 Emerging Issues Task Force meeting over various topics relating to ASU 606. In May 2016, the FASB issued ASU 2016-12, which clarified various topics in ASC 606. In December 2016, the FASB issued ASU 2016-20, which clarified additional topics in ASC 606. This guidance may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. We adopted this guidance effective January 1, 2018 and have provided additional information with respect to the new revenue recognition topic elsewhere in this Note 2 disclosure and also in "Note 3 — Adoption of ASC 606, Revenue from Contracts with Customers."

In May 2017, the FASB issued ASU No. 2017-09 to clarify which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. An entity is required to account for the effects of a modification unless all of the following conditions are met: (i) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or value using an alternative measurement method) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification; (ii) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (iii) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. We adopted this guidance in the quarter ended March 31, 2018. The adoption of this ASU did not have a material impact on our Financial Statements.

In January 2017, the FASB issued ASU No. 2017-01, which clarifies the definition of a business. The amendments affect all companies and other reporting organizations that must determine whether they have acquired or sold a business. The amendments are intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance is to be applied using a prospective approach as of the beginning of the first period of adoption. We adopted this guidance in the quarter ended March 31, 2018. The adoption of this ASU did not have a material impact on our Financial Statements.

In October 2016, the FASB issued ASU No. 2016-18, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. We adopted this guidance in the quarter ended March 31, 2018 using a retrospective approach to each period presented. The adoption of this ASU did not have a material impact on our Financial Statements.

In October 2016, the FASB issued ASU No. 2016-16, which provides updated guidance on the recognition of the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs, and this eliminates the exception for an intra-entity transfer of such assets. This guidance will be applied using a modified retrospective approach through a cumulative-effective adjustment directly to retained earnings as of the beginning of the period of adoption. We adopted this guidance in the quarter ended March 31, 2018. The adoption of this ASU did not have a material impact on our Financial Statements.

In August 2016, the FASB issued ASU No. 2016-15, which provides updated guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. This guidance is to be applied using a retrospective approach. If it is impracticable to apply the amendments retrospectively for some of the issues within this ASU, the amendments for those issues would be applied prospectively as of the earliest date practicable. We adopted this guidance in the quarter ended March 31, 2018. The adoption of this ASU did not have a material impact on our Financial Statements.

Recent Accounting Guidance Not Yet Adopted

In June 2018, the FASB issued ASU No. 2018-07, which expands the scope of Topic 718, Compensation—Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We do not expect the adoption of this ASU to have a material impact on our Financial Statements. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In February 2018, the FASB issued ASU No. 2018-02, which provides financial statement preparers with an option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We do not expect the adoption of this ASU to have a material impact on our Financial Statements. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In June 2016, the FASB issued ASU No. 2016-13, which provides updated guidance on credit losses for financial assets measured at amortized cost basis and available-for-sale debt securities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. This guidance will be applied using a modified retrospective approach for the cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective and using a prospective approach for debt securities for which any other-than-temporary impairment had been recognized before the effective date. Early adoption is permitted for fiscal years beginning after December 15, 2018. We are currently evaluating the impact of adopting this guidance on our Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. The ASU establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. For lessees, leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. In July, 2018, the FASB issued ASU No. 2018-10 - Codification Improvements to Topic 842, Leases and ASU No. 2018-11 - Leases (Topic 842): Targeted Improvements. ASU No. 2018-10 affects narrow aspects of the guidance previously issued and ASU No. 2018-11 provides a practical expedient for lessors on separating components of a contract and includes an additional transition method for adopting the new standard. We plan to adopt the new standard on January 1, 2019. The guidance requires an entity to adopt the new standard, as amended, either retrospectively to each prior reporting period presented in the financial statements with the cumulative effect recognized at the beginning of the earliest comparative period or retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment, with certain practical expedients available. While we are currently assessing the impact of this ASU on our financial statements, including selecting the transition method, we expect the primary impact to our consolidated balance sheet will be the recognition of our operating leases on our balance sheets and providing disclosures as required by the new standard.

We do not expect that any other recently issued accounting guidance will have a significant effect on our consolidated financial statements.

3. ADOPTION OF ASC 606, “REVENUE FROM CONTRACTS WITH CUSTOMERS”

Change in accounting policies

On January 1, 2018, we adopted ASC 606 using the modified retrospective method, which requires us to evaluate whether any cumulative adjustment is required to be recorded to retained earnings (or accumulated deficit) as a result of applying the provisions set forth under ASC 606 for any existing arrangements not yet completed as of the adoption date of January 1, 2018. We determined that there was an immaterial cumulative adjustment in the amount of approximately \$4.4 million, which we recorded to accumulated deficit as of the adoption date as a result of applying the modified retrospective transition method. In addition, under the modified retrospective method, our prior period results were not recast to reflect the new revenue recognition standard. Except for the changes discussed with respect to revenue recognition, the impact of which is summarized in the tables below, we have consistently applied our accounting policies to all periods presented in our Financial Statements.

Games revenues

We previously reported certain costs incurred in connection with our WAP platform, consisting primarily of the WAP jackpot expenses, as cost of revenues. Under ASC 606, such costs are reflected as reductions to gaming operations revenues on a net basis.

FinTech revenues

We previously reported costs and expenses related to our cash access services, which include commission expenses payable to casino operators, interchange fees payable to the network associations and processing and related costs payable to other third party partners, as a cost of revenues. Under ASC 606, such costs are reflected as reductions to cash access services revenues on a net basis.

The following table presents the impact of the application of ASC 606 utilizing the modified retrospective transition method to certain line items on our Unaudited Condensed Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2018 (in thousands):

	Three Months Ended June 30, 2018		
	As reported	Adjustments	Without Adoption of ASC 606
Revenues			
Games revenues			
Gaming operations	\$ 43,022	\$ 619	\$ 43,641
Games total revenues	65,948	619	66,567
FinTech revenues			
Cash access services	39,739	155,000	194,739
Equipment	4,765	(2,261)	2,504
FinTech total revenues	52,734	152,739	205,473
Total revenues	118,682	153,358	272,040
Costs and expenses			
Games cost of revenues (1)			
Gaming operations	4,211	619	4,830
Games total cost of revenues	16,815	619	17,434
FinTech cost of revenues (1)			
Cash access services	2,446	155,000	157,446
Equipment	3,426	—	3,426
FinTech total cost of revenues	6,852	155,000	161,852
Total costs and expenses	96,085	155,619	251,704
Operating income	22,597	(2,261)	20,336
Income before income tax	309	(2,261)	(1,952)
Income tax benefit	(1,166)	—	(1,166)
Net income	1,475	(2,261)	(786)
Comprehensive income	417	(2,261)	(1,844)

(1) Exclusive of depreciation and amortization.

The adoption of ASC 606 utilizing the modified retrospective transition method did not have a material impact to our Balance Sheets and Cash Flows as of and for the three months ended June 30, 2018 .

	Six Months Ended June 30, 2018		
	As reported	Adjustments	Without Adoption of ASC 606
Revenues			
Games revenues			
Gaming operations	\$ 83,078	\$ 1,081	\$ 84,159
Games total revenues	126,165	1,081	127,246
FinTech revenues			
Cash access services	77,958	310,448	388,406
Equipment	9,183	(2,472)	6,711
FinTech total revenues	103,518	307,976	411,494
Total revenues	229,683	309,057	538,740
Costs and expenses			
Games cost of revenues (1)			
Gaming operations	8,393	1,081	9,474
Games total cost of revenues	31,738	1,081	32,819
FinTech cost of revenues (1)			
Cash access services	4,676	309,899	314,575
Equipment	5,940	(85)	5,855
FinTech total cost of revenues	12,813	309,814	322,627
Total costs and expenses	182,595	310,895	493,490
Operating income	47,088	(1,838)	45,250
Income before income tax	4,493	(1,838)	2,655
Income tax benefit	(1,591)	—	(1,591)
Net income	6,084	(1,838)	4,246
Comprehensive income	5,349	(1,838)	3,511

(1) Exclusive of depreciation and amortization.

The adoption of ASC 606 utilizing the modified retrospective transition method did not have a material impact to our Balance Sheets and Cash Flows as of and for the six months ended June 30, 2018 .

4. BUSINESS COMBINATIONS

We account for business combinations in accordance with ASC 805, which requires that the identifiable assets acquired and liabilities assumed be recorded at their estimated fair values on the acquisition date separately from goodwill, which is the excess of the fair value of the purchase price over the fair values of these identifiable assets and liabilities. We include the results of operations of an acquired business as of the acquisition date. We had no material acquisitions for the three and six months ended June 30, 2018 and 2017.

5. FUNDING AGREEMENTS

Commercial Cash Arrangements

We have commercial arrangements with third party vendors to provide cash for certain of our ATMs. For the use of these funds, we pay a cash usage fee on either the average daily balance of funds utilized multiplied by a contractually defined cash usage rate or the amounts supplied multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Income (Loss), were \$2.0 million and \$3.7 million for the three and six months ended June 30, 2018, respectively, and \$1.2 million and \$2.4 million for the three and six months ended June 30, 2017, respectively. We are exposed to interest rate risk to the extent that the applicable rates increase.

Under these agreements, the currency supplied by third party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected in our Balance Sheets. The outstanding balances of ATM cash utilized by us from the third parties were \$225.3 million and \$289.8 million as of June 30, 2018 and December 31, 2017, respectively.

Our primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, with Wells Fargo, N.A. Wells Fargo, provides us with cash in the maximum amount of \$300.0 million with the ability to increase the amount by \$75 million over a 5-day period for holidays, such as the period around New Year's Day. The agreement currently expires on June 30, 2020. We are responsible for any losses of cash in the ATMs under this agreement, and we self-insure for this risk. We incurred no material losses related to this self-insurance for the three and six months ended June 30, 2018 and 2017.

Site-Funded ATMs

We operate ATMs at certain customer gaming establishments where the gaming establishment provides the cash required for the ATM operational needs. We are required to reimburse the customer for the amount of cash dispensed from these site-funded ATMs. The site-funded ATM liability included within settlement liabilities in the accompanying Balance Sheets was \$150.9 million and \$210.8 million as of June 30, 2018 and December 31, 2017, respectively.

Everi-Funded ATMs

We enter into agreements with customers for certain of our Canadian ATMs whereby we provide the cash required to operate the ATMs. We supplied approximately \$6.9 million of our cash for these ATMs at June 30, 2018 and December 31, 2017.

Prefunded Cash Access Agreements

Due to certain regulatory requirements, some international gaming establishments require prefunding of cash to cover all outstanding settlement amounts in order for us to provide cash access services to their properties. We enter into agreements with these operators for which we supply our cash access services for their properties. Under these agreements, we maintain sole discretion to either continue or cease operations as well as discretion over the amounts prefunded to the properties and may request amounts to be refunded to us, with appropriate notice to the operator, at any time. The initial prefunded amounts and subsequent amounts from the settlement of transactions are deposited into a bank account that is to be used exclusively for cash access services, and we maintain the right to monitor all transaction activity in that account. The total amount of prefunded cash outstanding was approximately \$6.0 million and \$8.4 million at June 30, 2018 and December 31, 2017, respectively, and is included in prepaid expenses and other assets on our Balance Sheets.

6. TRADE AND OTHER RECEIVABLES

Trade and loans receivables represent short-term credit granted to customers as well as long-term loans receivable on our games, equipment and compliance products. Trade and loans receivables generally do not require collateral. The balance of trade and loans receivables consists of outstanding balances owed to us by gaming establishments. Other receivables include income taxes receivables and other miscellaneous receivables. The balance of trade and other receivables consisted of the following (in thousands):

	<u>At June 30,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Trade and other receivables, net		
Games trade and loans receivables	\$ 47,815	\$ 38,070
FinTech trade and loans receivables (1)	21,139	10,780
Other receivables	1,302	1,570
Total trade and other receivables, net	<u>70,256</u>	<u>50,420</u>
Less: non-current portion of receivables		
Games trade and loans receivables	(2,515)	(1,267)
FinTech trade and loans receivables (1)	(6,158)	(1,371)
Total non-current portion of receivables	<u>(8,673)</u>	<u>(2,638)</u>
Total trade and other receivables, current portion	<u>\$ 61,583</u>	<u>\$ 47,782</u>

(1) In connection with the adoption of ASC 606 utilizing the modified retrospective transition method, we recorded an immaterial cumulative adjustment with respect to certain amounts that had been previously deferred under the then existing revenue recognition guidance as of December 31, 2017 that required recognition under ASC 606 as of the effective date of adoption in accumulated deficit.

At least quarterly, we evaluate the collectability of the outstanding balances and establish a reserve for the amount of the expected losses on our receivables. The allowance for doubtful accounts for trade receivables was \$5.4 million as of June 30, 2018 and \$4.7 million as of December 31, 2017 and includes reserves for both Games and FinTech receivables. The provision for doubtful customer accounts receivable is generally included within operating expenses in the Statements of Income (Loss). We also have a provision for doubtful accounts specifically associated with our check warranty service, whereby we collect a fee and undertake responsibility for collecting the receivables, which is included within FinTech cost of revenues in the Statements of Income (Loss). The outstanding balances of the check warranty and general reserves were \$2.8 million and \$2.6 million, respectively, as of June 30, 2018 and \$2.7 million and \$2.0 million, respectively, as of December 31, 2017.

7. INVENTORY

Our inventory primarily consists of component parts as well as work-in-progress and finished goods. The cost of inventory includes cost of materials, labor, overhead and freight. The inventory is stated at the lower of cost or net realizable value and accounted for using the FIFO method.

There was no material impairment of our inventory for the three and six months ended June 30, 2018 and 2017.

We recorded an immaterial impairment charge of approximately \$1.8 million in our Games segment for the three and six months ended June 30, 2018 to reduce the carrying value of certain component parts to their fair values. The adjustment was included in operating expenses in our Statements of Income (Loss).

Inventory consisted of the following (in thousands):

	<u>At June 30,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Inventory		
Component parts, net of reserves of \$1,563 and \$1,327 at June 30, 2018 and December 31, 2017, respectively	\$ 18,598	\$ 18,782
Work-in-progress	1,389	985
Finished goods	3,540	4,200
Total inventory	<u>\$ 23,527</u>	<u>\$ 23,967</u>

8. PREPAID AND OTHER ASSETS

Prepaid and other assets include the balance of prepaid expenses, deposits, debt issuance costs on our Revolving Credit Facility (defined herein), restricted cash and other assets. The current portion of these assets is included in prepaid and other assets and the non-current portion is included in other assets, both of which are contained within the Balance Sheets.

The balance of the current portion of prepaid and other assets consisted of the following (in thousands):

	<u>At June 30,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Prepaid expenses and other assets		
Deposits	\$ 7,093	\$ 9,003
Prepaid expenses	10,065	6,426
Other	2,605	5,241
Total prepaid expenses and other assets	<u>\$ 19,763</u>	<u>\$ 20,670</u>

The balance of the non-current portion of other assets consisted of the following (in thousands):

	<u>At June 30,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Other assets		
Prepaid expenses and deposits	\$ 5,144	\$ 4,103
Debt issuance costs of revolving credit facility	752	849
Other	341	2,657
Total other assets	<u>\$ 6,237</u>	<u>\$ 7,609</u>

9. PROPERTY, EQUIPMENT AND LEASED ASSETS

Property, equipment and leased assets consist of the following (in thousands):

	Useful Life (Years)	At June 30, 2018			At December 31, 2017		
		Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Property, equipment and leased assets							
Rental pool - deployed	2-4	\$ 180,323	\$ 92,065	\$ 88,258	\$ 162,319	\$ 80,895	\$ 81,424
Rental pool - undeployed	2-4	30,418	21,424	8,994	17,366	9,374	7,992
FinTech equipment	3-5	27,142	20,583	6,559	25,907	18,654	7,253
Leasehold and building improvements	Lease Term	11,339	6,103	5,236	10,981	5,211	5,770
Machinery, office and other equipment	2-5	41,082	26,781	14,301	35,167	24,087	11,080
Total		<u>\$ 290,304</u>	<u>\$ 166,956</u>	<u>\$ 123,348</u>	<u>\$ 251,740</u>	<u>\$ 138,221</u>	<u>\$ 113,519</u>

Depreciation expense related to property, equipment and leased assets totaled approximately \$13.7 million and \$26.5 million for the three and six months ended June 30, 2018 and \$11.4 million and \$22.2 million for the three and six months ended June 30, 2017, respectively.

There was no material impairment of our property, equipment and leased assets for the three and six months ended June 30, 2018 and 2017.

We recorded an immaterial impairment charge of approximately \$0.8 million in our Games segment for the three and six months ended June 30, 2018 to reduce the carrying value of certain leased assets to their fair values. The adjustment was included in operating expenses in our Statements of Income (Loss).

10. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations. The balance of goodwill was \$640.6 million at June 30, 2018 and December 31, 2017, respectively.

In accordance with ASC 350, we test goodwill at the reporting unit level, which are identified as operating segments or one level below, for impairment on an annual basis and between annual tests if events and circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

We test for impairment annually on a reporting unit basis, at the beginning of our fourth fiscal quarter, or more often under certain circumstances. The annual impairment test is completed using either: a qualitative Step 0 assessment based on reviewing relevant events and circumstances; or a quantitative Step 1 assessment, which determines the fair value of the reporting unit, using an income approach that discounts future cash flows based on the estimated future results of our reporting units and a market approach that compares market multiples of comparable companies to determine whether or not any impairment exists. If the fair value of a reporting unit is less than its carrying amount, we will use the Step 1 assessment to determine the impairment.

No impairment was identified for our goodwill for the three and six months ended June 30, 2018 and 2017.

Other Intangible Assets

Other intangible assets consist of the following (in thousands):

	Weighted Average Remaining Life (years)	At June 30, 2018			At December 31, 2017		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Other intangible assets							
Contract rights under placement fee agreements	4	\$ 57,594	\$ 8,088	\$ 49,506	\$ 57,231	\$ 3,910	\$ 53,321
Customer contracts	6	51,175	44,900	6,275	51,175	43,638	7,537
Customer relationships	8	231,100	74,136	156,964	231,100	63,653	167,447
Developed technology and software	2	264,369	175,488	88,881	249,064	158,919	90,145
Patents, trademarks and other	4	29,168	24,147	5,021	29,046	23,185	5,861
Total		<u>\$ 633,406</u>	<u>\$ 326,759</u>	<u>\$ 306,647</u>	<u>\$ 617,616</u>	<u>\$ 293,305</u>	<u>\$ 324,311</u>

Amortization expense related to other intangible assets was approximately \$16.6 million and \$32.9 million for the three and six months ended June 30, 2018, respectively, and \$17.4 million and \$34.8 million for the three and six months ended June 30, 2017, respectively.

We evaluate our other intangible assets for potential impairment in connection with our quarterly review process. There was no material impairment identified for any of our other intangible assets for the three and six months ended June 30, 2018 and 2017.

We enter into placement fee agreements to secure a long-term revenue share percentage and a fixed number of player terminal placements in a gaming facility, for which the funding under placement fee agreements is not reimbursed. In return for the fees under these agreements, each facility dedicates a percentage of its floor space, or an agreed upon unit count, for the placement of our electronic gaming machines (“EGMs”) over the term of the agreement, generally 12 to 83 months, and we receive a fixed percentage or flat fee of those machines’ hold per day. Certain of the agreements contain EGM performance standards that could allow the respective facility to reduce a portion of our guaranteed floor space.

Placement fees and amounts advanced in excess of those to be reimbursed by the customer for real property and land improvements are allocated to intangible assets and are generally amortized over the term of the contract, which is recorded as a reduction of revenue generated from the facility. In the past we have, and in the future, we may, by mutual agreement, amend these agreements to reduce our floor space at the facilities. Any proceeds received for the reduction of floor space are first applied against the intangible asset for that particular placement fee agreement, if any, and the remaining net book value of the intangible asset is prospectively amortized on a straight-line method over the remaining estimated useful life.

We paid approximately \$ 5.9 million and \$ 11.5 million in placement fees, including \$ 0. 4 million and \$1.4 million of imputed interest, to a customer for the three and six months ended June 30, 2018, respectively, and approximately \$ 3.0 million in placement fees for the three and six months ended June 30, 2017 .

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table presents our accounts payable and accrued expenses (in thousands):

	<u>At June 30,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Accounts payable and accrued expenses		
Trade accounts payable	\$ 64,946	\$ 59,435
Placement fees (1)	22,328	22,328
Accrued interest	1,481	5,766
Deferred and unearned revenues	15,166	10,450
Cash access processing and related expenses	6,562	8,932
Payroll and related expenses	11,009	14,178
Accrued taxes	1,874	2,112
Other	9,130	11,303
Total accounts payable and accrued expenses	<u>\$ 132,496</u>	<u>\$ 134,504</u>

(1) The total outstanding balance of the placement fee liability as of June 30, 2018 and December 31, 2017 was \$27.9 million and \$39.1 million, respectively. The remaining \$5.6 million and \$16.8 million of non-current placement fees as of June 30, 2018 and December 31, 2017, respectively, was included in other accrued expenses and liabilities in our Balance Sheets.

12. LONG-TERM DEBT

The following table summarizes our outstanding indebtedness (in thousands):

	<u>At June 30,</u> <u>2018</u>	<u>At December 31,</u> <u>2017</u>
Long-term debt		
Senior secured term loan	\$ 811,800	\$ 815,900
Senior unsecured notes	375,000	375,000
Total debt	1,186,800	1,190,900
Less: debt issuance costs and discount	(21,203)	(23,057)
Total debt after debt issuance costs and discount	1,165,597	1,167,843
Less: current portion of long-term debt	(8,200)	(8,200)
Long-term debt, less current portion	<u>\$ 1,157,397</u>	<u>\$ 1,159,643</u>

Refinancing

On May 9, 2017 (the “Closing Date”), Everi Payments, as borrower, and Holdings entered into a credit agreement with the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (amended as described below, the “New Credit Agreement”). The New Credit Agreement provides for: (i) a \$35.0 million, five-year senior secured revolving credit facility (the “New Revolving Credit Facility”); and (ii) an \$820.0 million, seven-year senior secured term loan facility (the “New Term Loan Facility,” and together with the New Revolving Credit Facility, the “New Credit Facilities”). The fees associated with the New Credit Facilities included discounts of approximately \$4.1 million and debt issuance costs of approximately \$15.5 million. All borrowings under the New Revolving Credit Facility are subject to the satisfaction of customary conditions, including the absence of defaults and the accuracy of representations and warranties.

The proceeds from the New Term Loan Facility incurred on the Closing Date were used to: (i) refinance: (a) Everi Payments' existing credit facility with an outstanding balance of approximately \$462.3 million with Bank of America, N.A., as administrative agent, collateral agent, swing line lender and letter of credit issuer, Deutsche Bank Securities Inc., as syndication agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as joint lead arrangers and joint book managers (the "Prior Credit Facility"); and (b) Everi Payments' 7.25% Senior Secured Notes due 2021 in the aggregate original principal amount of \$335.0 million (the "Refinanced Secured Notes"); and (ii) pay related transaction fees and expenses.

In connection with the refinancing, we recorded a non-cash charge of approximately \$14.6 million during the second quarter of 2017 related to the unamortized deferred financing fees and discounts related to the extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes. No prepayment penalties were incurred.

On November 13, 2017 (the "Repricing Closing Date"), we entered into an amendment to the New Credit Agreement (the "First Amendment") which, among other things, reduced the interest rate on the approximately \$818.0 million then outstanding balance of the New Term Loan Facility, but did not change the maturity dates for the New Term Loan Facility or the New Revolving Credit Facility or the financial covenants or other debt repayments terms set forth in the New Credit Agreement. We incurred approximately \$3.0 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

On May 17, 2018, we entered into a Second Amendment (the "Second Amendment") to the New Credit Agreement, which reduced the interest rate on the \$813.9 million outstanding balance of the senior secured term loan under the Credit Agreement by 50 basis points to LIBOR + 3.00% from LIBOR + 3.50% with the LIBOR floor unchanged at 1.00%. The senior secured term loan under the Credit Agreement will be subject to a prepayment premium of 1.00% of the principal amount repaid for any voluntary prepayment or mandatory prepayment with proceeds of debt that has a lower effective yield than the repriced term loan or any amendment to the repriced term loan that reduces the interest rate thereon, in each case, to the extent occurring within six months of the effective date of the Second Amendment. The maturity date for the Credit Agreement remains May 9, 2024, and no changes were made to the financial covenants or other debt repayment terms. We incurred approximately \$1.3 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

New Credit Facilities

The New Term Loan Facility matures seven years after the Closing Date and the New Revolving Credit Facility matures five years after the Closing Date. The New Revolving Credit Facility is available for general corporate purposes, including permitted acquisitions, working capital and the issuance of letters of credit.

The interest rate per annum applicable to loans under the New Revolving Credit Facility is, at Everi Payments' option, the base rate or the Eurodollar Rate (defined to be the London Interbank Offered Rate or a comparable or successor rate) (the "Eurodollar Rate") plus, in each case, an applicable margin. The interest rate per annum applicable to the New Term Loan Facility also is, at Everi Payments' option, the base rate or the Eurodollar Rate plus, in each case, an applicable margin. The Eurodollar Rate is reset at the beginning of each selected interest period based on the Eurodollar Rate then in effect; provided that, if the Eurodollar Rate is below zero, then such rate will be equal to zero plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of: (i) the prime lending rate announced by the administrative agent; (ii) the federal funds effective rate from time to time plus 0.50%; and (iii) the Eurodollar Rate (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. Prior to the effectiveness of the First Amendment on the Repricing Closing Date, the applicable margins for both the New Revolving Credit Facility and the New Term Loan Facility were: (i) 4.50% in respect of Eurodollar Rate loans and (ii) 3.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the First Amendment on the Repricing Closing Date through the effectiveness of the Second Amendment were: (i) 3.50% in respect of Eurodollar Rate loans and (ii) 2.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the Second Amendment are: (i) 3.00% in respect of Eurodollar Rate loans and (ii) 2.00% in respect of base rate loans.

Voluntary prepayments of the term loan and the revolving loans and voluntary reductions in the unused commitments are permitted in whole or in part, in minimum amounts as set forth in the New Credit Agreement governing the New Credit Facilities, with prior notice but without premium or penalty, except that certain refinancings of the term loans within six months after the Repricing Closing Date will be subject to a prepayment premium of 1.00% of the principal amount repaid.

Subject to certain exceptions, the obligations under the New Credit Facilities are secured by substantially all of the present and subsequently acquired assets of each of Everi Payments, Holdings and the subsidiary guarantors party thereto including: (i) a perfected first priority pledge of all the capital stock of Everi Payments and each domestic direct, wholly owned material restricted subsidiary held by Holdings, Everi Payments or any such subsidiary guarantor; and (ii) a perfected first priority security interest in substantially all other tangible and intangible assets of Holdings, Everi Payments, and such subsidiary guarantors (including, but not limited to, accounts receivable, inventory, equipment, general intangibles, investment property, real property, intellectual property and the proceeds of the foregoing). Subject to certain exceptions, the New Credit Facilities are unconditionally guaranteed by Holdings and such subsidiary guarantors.

The New Credit Agreement governing the New Credit Facilities contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, sell assets or consolidate or merge with or into other companies, pay dividends or repurchase or redeem capital stock, make certain investments, issue capital stock of subsidiaries, incur liens, prepay, redeem or repurchase subordinated debt, and enter into certain types of transactions with its affiliates. The New Credit Agreement governing the New Credit Facilities also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio. At June 30, 2018, our consolidated secured leverage ratio was 3.42 to 1.00, with a maximum allowable ratio of 5.00 to 1.00 (which maximum allowable ratio is reduced to 4.75 to 1.00 as of December 31, 2018, 4.50 to 1.00 as of December 31, 2019, 4.25 to 1.00 as of December 31, 2020, and 4.00 to 1.00 as of December 31, 2021 and each December 31 thereafter).

We were in compliance with the covenants and terms of the New Credit Facilities as of June 30, 2018.

Events of default under the New Credit Agreement governing the New Credit Facilities include customary events such as a cross-default provision with respect to other material debt. In addition, an event of default will occur if Holdings undergoes a change of control. This is defined to include the case where Holdings ceases to own 100% of the equity interests of Everi Payments, or where any person or group acquires a percentage of the economic or voting interests of Holdings' capital stock of 35% or more (determined on a fully diluted basis).

We are required to repay the New Term Loan Facility in an amount equal to 0.25% per quarter of the initial aggregate principal, with the final principal repayment installment on the maturity date. Interest is due in arrears on each interest payment date applicable thereto and at such other times as may be specified in the New Credit Agreement. As to any loan other than a base rate loan, the interest payment dates shall be the last day of each interest period applicable to such loan and the maturity date (provided, however, that if any interest period for a Eurodollar Rate loan exceeds three months, the respective dates that fall every three months after the beginning of such interest period shall also be interest payment dates). As to any base rate loan, the interest payment dates shall be last business day of each March, June, September and December and the maturity date.

For the three and six months ended June 30, 2018, the New Term Loan Facility had an applicable weighted average interest rate of 5.24% and 5.15%, respectively.

At June 30, 2018, we had \$811.8 million of borrowings outstanding under the New Term Loan Facility and no borrowings outstanding under the New Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the New Revolving Credit Facility as of June 30, 2018.

Refinanced Senior Secured Notes

In connection with entering into the New Credit Agreement, on May 9, 2017, Everi Payments redeemed in full all outstanding Refinanced Secured Notes in the aggregate principal amount of \$335.0 million face value (plus accrued interest) of the Refinanced Secured Notes. As a result of the redemption, we recorded non-cash charges in the amount of

approximately \$1.7 million, which consisted of unamortized deferred financing fees of \$0.2 million and discounts of \$1.5 million. The se fees we re included in the total \$14.6 million non-cash charge referred to above .

Senior Unsecured Notes

In December 2014, we issued \$350.0 million in aggregate principal amount of 10.0% Senior Unsecured Notes due 2022 (the “2014 Unsecured Notes”) under an indenture (as supplemented, the “2014 Notes Indenture”), dated December 19, 2014, between Everi Payments (as successor issuer), and Deutsche Bank Trust Company Americas, as trustee. The fees associated with the 2014 Unsecured Notes included original issue discounts of approximately \$3.8 million and debt issuance costs of approximately \$14.0 million. In December 2015, we completed an exchange offer in which all of the unregistered 2014 Unsecured Notes were exchanged for a like amount of 2014 Unsecured Notes that had been registered under the Securities Act.

In December 2017, we issued \$375.0 million in aggregate principal amount of 7.50% Senior Unsecured Notes due 2025 (the “2017 Unsecured Notes”) under an indenture (the “2017 Notes Indenture”), dated December 5, 2017, among Everi Payments (as issuer), Holdings and certain of its direct and indirect domestic subsidiaries as guarantors, and Deutsche Bank Trust Company Americas, as trustee. Interest on the 2017 Unsecured Notes accrues at a rate of 7.50% per annum and is payable semi-annually in arrears on each June 15 and December 15, commencing on June 15, 2018. The 2017 Unsecured Notes will mature on December 15, 2025. We incurred approximately \$6.1 million of debt issuance costs and fees associated with the issuance of the 2017 Unsecured Notes.

On December 5, 2017, together with the issuance of the 2017 Unsecured Notes, Everi Payments satisfied and discharged the 2014 Notes Indenture relating to the 2014 Unsecured Notes. To effect the satisfaction and discharge, Everi Payments issued an unconditional notice of redemption to Deutsche Bank Trust Company Americas, as trustee, of the redemption in full on January 15, 2018 (the “Redemption Date”) of all outstanding 2014 Unsecured Notes under the terms of the 2014 Notes Indenture. In addition, using the proceeds from the sale of the 2017 Unsecured Notes and cash on hand, Everi Payments irrevocably deposited with the trustee funds sufficient to pay the redemption price of the 2014 Unsecured Notes of 107.5% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the Redemption Date (the “Redemption Price”), and irrevocably instructed the trustee to apply the deposited money toward payment of the Redemption Price for the 2014 Unsecured Notes on the Redemption Date. Upon the trustee’s receipt of such funds and instructions, along with an officer’s certificate of Everi Payments and an opinion of counsel certifying and opining that all conditions under the 2014 Notes Indenture to the satisfaction and discharge of the 2014 Notes Indenture had been satisfied, the 2014 Notes Indenture was satisfied and discharged, and all of the obligations of Everi Payments and the guarantors under the 2014 Notes Indenture ceased to be of further effect, as of December 5, 2017 (subject to certain exceptions). The 2014 Unsecured Notes were thereafter redeemed on the Redemption Date.

In connection with the issuance of the 2017 Unsecured Notes and the redemption of the 2014 Unsecured Notes, in December 2017 we incurred a \$37.2 million loss on extinguishment of debt consisting of a \$26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes and approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees.

We were in compliance with the terms of the 2017 Unsecured Notes as of June 30, 2018.

13. COMMITMENTS AND CONTINGENCIES

There were no material changes in our commitments under contractual obligations as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

We are involved in various investigations, claims and lawsuits in the ordinary course of our business. In addition, various legal actions, claims and governmental inquiries and proceedings are pending or may be instituted or asserted in the future against us and our subsidiaries. Although the outcome of our legal proceedings cannot be predicted with certainty and no assurances can be provided, based upon current information, we do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

14. SHAREHOLDERS' EQUITY

Preferred Stock. Our amended and restated certificate of incorporation, as amended, allows our Board of Directors, without further action by stockholders, to issue up to 50 million shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges and relative participating, optional, or special rights as well as the qualifications, limitations or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences. As of June 30, 2018 and December 31, 2017, we had no shares of preferred stock outstanding.

Common Stock. Subject to the preferences that may apply to shares of preferred stock that may be outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our Board of Directors may from time to time determine. All dividends are non-cumulative. In the event of the liquidation, dissolution or winding up of Everi, the holders of common stock are entitled to share ratably in all assets remaining after the payment of liabilities, subject to the prior distribution rights of preferred stock, if any, then outstanding. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. There are no sinking fund provisions applicable to the common stock. Each outstanding share of common stock is fully paid and non-assessable. As of June 30, 2018 and December 31, 2017, we had 94.4 million and 93.1 million shares of common stock issued, respectively.

Treasury Stock. Employees may direct us to withhold vested shares of restricted stock to satisfy the minimum statutory withholding requirements applicable to their restricted stock vesting. We withheld from restricted stock awards 1,215 and 6,216 shares of common stock for the three and six months ended June 30, 2018, respectively, at an aggregate purchase price of \$8,878 and \$47,278, respectively, and 455 and 3,029 shares of common stock for the three and six months ended June 30, 2017, respectively, at an aggregate purchase price of \$3,117 and \$10,591, respectively, to satisfy the minimum applicable tax withholding obligations related to the vesting of such restricted stock awards.

15. WEIGHTED AVERAGE COMMON SHARES

The weighted average number of shares of common stock outstanding used in the computation of basic and diluted loss per share is as follows (in thousands):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Weighted average shares				
Weighted average number of common shares outstanding - basic	69,203	66,350	68,946	66,221
Potential dilution from equity awards (1)	4,237	—	4,377	—
Weighted average number of common shares outstanding - diluted (1)	<u>73,440</u>	<u>66,350</u>	<u>73,323</u>	<u>66,221</u>

- (1) The potential dilution excludes the weighted (average) effect of equity awards to purchase 8.6 million and 8.1 million shares of common stock for the three and six months ended June 30, 2018, respectively, because the application of the treasury stock method, as required, makes them anti-dilutive. Company was in a net loss position for the three and six months ended June 30, 2017; therefore, potentially dilutive common shares were excluded as their effects would be anti-dilutive under the application of the treasury stock method. Equity awards to purchase approximately 11.9 million and 15.3 shares of common stock for the three and six months ended June 30, 2017 were excluded from the diluted net loss per share results.

16. SHARE-BASED COMPENSATION

Equity Incentive Awards

Our 2014 Equity Incentive Plan (as amended and restated effective May 23, 2017, the “Amended and Restated 2014 Plan”) and our 2012 Equity Incentive Plan (as amended, the “2012 Plan”) are used to attract and retain the best available personnel, to provide additional incentives to employees, directors and consultants and to promote the success of our business. The 2012 Plan was assumed in connection with our 2014 acquisition of Everi Games Holding and conformed to include similar provisions to those as set forth in the Amended and Restated 2014 Plan. Our equity incentive plans are administered by the Compensation Committee of our Board of Directors, which has the authority to select individuals who are to receive equity incentive awards and to specify the terms and conditions of grants of such awards, including, but not limited to the vesting provisions and exercise prices.

Generally, we grant the following award types with varying vesting provisions and expiration periods: (a) time-based options; (b) market-based options; (c) time-based restricted stock; and (d) restricted stock units (“RSUs”) with either time- or performance-based criteria.

A summary of award activity is as follows (in thousands):

	Stock Options Granted	Restricted Stock Awards Granted	Restricted Stock Units Granted
Outstanding, December 31, 2017	19,131	74	—
Granted	—	—	1,838
Exercised options or vested shares	(1,288)	(22)	—
Cancelled or forfeited	(1,209)	—	(5)
Outstanding, June 30, 2018	16,634	52	1,833

There are approximately 3.3 million awards of our common stock available for future equity grants, both under the Amended and Restated 2014 Plan and the 2012 Plan. There are no awards available for future equity grants under the 2005 Plan.

Stock Options

Our time-based stock options granted under our equity plans generally vest at a rate of 25% per year on each of the first four anniversaries of the option grant dates and the options expire after a ten-year period. We estimate forfeiture amounts based on historical patterns.

Our market-based options granted in 2017 vest at a rate of 25% per year on each of the first four anniversaries of the grant date, provided that as of the vesting date for each vesting tranche, the closing price of our shares on the New York Stock Exchange is at least a specified price hurdle, defined as a 25% premium to the closing stock price on the grant date. If the price hurdle is not met as of the vesting date for a vesting tranche, then the vested tranche shall vest and become vested shares on the last day of a period of 30 consecutive trading days during which the closing price is at least the price hurdle. These options expire after a ten-year period.

There were no time-based or market-based option awards granted during the six months ended June 30, 2018.

The fair values of our standard time-based options were determined as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Six Months Ended June 30, 2017
Risk-free interest rate	2%
Expected life of options (in years)	6
Expected volatility	54%
Expected dividend yield	—%

The fair values of our market-based options were determined as of the date of grant using a lattice-based option valuation model with the following assumptions:

	Six Months Ended June 30, 2017
Risk-free interest rate	3%
Measurement period (in years)	10
Expected volatility	70%
Expected dividend yield	—%

The following table presents the options activity:

	Number of Options (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Life Remaining (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2017	19,131	\$ 5.34	6.4	\$ 45,887
Granted	—	\$ —		
Exercised	(1,288)	\$ 4.94		
Canceled or forfeited	(1,209)	\$ 5.77		
Outstanding, June 30, 2018	<u>16,634</u>	\$ 5.34	6.5	\$ 36,771
Vested and expected to vest, June 30, 2018	<u>15,355</u>	\$ 5.39	6.5	\$ 33,418
Exercisable, June 30, 2018	<u>10,101</u>	\$ 6.06	5.9	\$ 16,376

There were no options granted for the three and six months ended June 30, 2018 and 58,000 and 4.1 million options granted for the three and six months ended June 30, 2017, respectively. The weighted average grant date fair value per share of options granted was \$3.28 and \$1.83 for the three and six months ended June 30, 2017, respectively. The total intrinsic value of options exercised was \$2.5 million and \$3.7 million for the three and six months ended June 30, 2018, respectively, and \$2.0 million for the three and six months ended June 30, 2017.

There was \$5.2 million in unrecognized compensation expense related to options expected to vest as of June 30, 2018. This cost is expected to be recognized on a straight-line basis over a weighted average period of 3.2 years. We recorded \$3.7 million during the six months ended June 30, 2018 in non-cash compensation expense related to options granted that were expected to vest as of June 30, 2018. During the three and six months ended June 30, 2018, we received \$2.8 million and \$7.1 million, respectively, in cash from the exercise of options.

There was \$13.4 million in unrecognized compensation expense related to options expected to vest as of June 30, 2017. This cost was expected to be recognized on a straight-line basis over a weighted average period of 2.4 years. We recorded \$3.3 million during the six months ended June 30, 2017 in non-cash compensation expense related to options granted that were expected to vest as of June 30, 2017. We received \$1.8 million in cash from the exercise of options for the three and six months ended June 30, 2017.

Restricted Stock Awards

The following is a summary of non-vested share awards for our time-based restricted stock:

	Shares Outstanding (in thousands)	Weighted Average Grant Date Fair Value (per share)
Outstanding, December 31, 2017	74	\$ 7.00
Granted	—	\$ —
Vested	(22)	\$ 6.91
Forfeited	—	\$ —
Outstanding, June 30, 2018	<u>52</u>	\$ 7.04

There were no shares of restricted stock granted for the three and six months ended June 30, 2018. The total fair value of restricted stock vested was approximately \$33,306 and \$152,054 for the three and six months ended June 30, 2018, respectively, and \$12,128 and \$80,590 for the three and six months ended June 30, 2017, respectively.

There was \$0.2 million in unrecognized compensation expense related to shares of restricted stock expected to vest as of June 30, 2018. This cost is expected to be recognized on a straight-line basis over a weighted average period of 0.6 years. During the six months ended June 30, 2018, there were 22,002 shares of restricted stock that vested and we recorded \$0.3 million in non-cash compensation expense related to restricted stock expected to vest.

There was \$0.9 million in unrecognized compensation expense related to shares of restricted stock expected to vest as of June 30, 2017. This cost was expected to be recognized on a straight-line basis over a weighted average period of 1.5 years. During the six months ended June 30, 2017, there were 11,070 shares of restricted stock that vested and we recorded \$0.2 million in non-cash compensation expense related to the restricted stock expected to vest.

Restricted Stock Units

The following is a summary of non-vested RSU awards:

	Shares Outstanding (in thousands)	Weighted Average Grant Date Fair Value (per share)	Weighted Average Life Remaining (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2017	—	\$ —		
Granted	1,838	\$ 7.49		
Vested	—	\$ —		
Forfeited	(5)	\$ 7.47		
Outstanding, June 30, 2018	<u>1,833</u>	\$ 7.49	2.5	\$ 13,195
Vested and expected to vest, June 30, 2018	<u>1,125</u>	\$ 7.49	2.3	\$ 8,099
Exercisable, June 30, 2018	<u>—</u>	\$ —	—	\$ —

The time-based RSUs granted during the three months ended June 30, 2018 vest at a rate of 25% per year on each of the first four anniversaries of the grant dates.

The performance-based RSUs granted during the three months ended June 30, 2018 will be evaluated by our Compensation Committee of our Board of Directors after a performance period, beginning on the date of grant through December 31, 2020, based on certain revenue and Adjusted EBITDA growth rate metrics, with achievement of each measure to be determined independently of one another. If the performance criteria of the metrics are approved, the eligible awards will become vested on the third anniversary of the grant dates.

The time-based RSUs granted during the three months ended March 31, 2018 to independent members of our Board of Directors vest in equal installments on each of the first three anniversary dates of the grant date and settle on the earliest of the following events: (i) March 7, 2028; (ii) death; (iii) the occurrence of a Change in Control (as defined in the Amended and Restated 2014 Plan), subject to qualifying conditions; or (iv) the date that is six months following the separation from service, subject to qualifying conditions.

There were 1.8 million shares of RSU awards granted for the six months ended June 30, 2018. There were no RSUs granted for the six months ended June 30, 2017. There were no RSUs vested during the six months ended June 30, 2018 and 2017.

There was \$7.9 million in unrecognized compensation expense related to RSU awards expected to vest as of June 30, 2018. This cost is expected to be recognized on a straight-line basis over a weighted average period of 3.5 years. We recorded \$0.3 million during the six months ended June 30, 2018 in non-cash compensation expense related to RSU awards.

17. INCOME TAXES

The income tax benefit reflected an effective income tax rate of negative 377.3% and negative 35.4% for the three and six months ended June 30, 2018, respectively, which was less than the statutory federal rate of 21.0%, primarily due to a decrease in our valuation allowance for deferred tax assets and the benefit from a research credit. The decrease in our valuation allowance is primarily due to the income during the year and the interest deduction limitation (deferred tax asset) which can be offset against our indefinite lived deferred tax liabilities. The income tax provision reflected an effective income tax rate of negative 10.8% and a negative 14.8% for the three and six months ended June 30, 2017, respectively, which was less than the statutory federal rate of 35.0%, primarily due to an increase in our valuation allowance for deferred tax assets, partially offset by state taxes, the benefit from stock option exercises, and the benefit from a research credit.

We have analyzed filing positions in all of the federal, state and foreign jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. As of June 30, 2018, we recorded \$0.9 million of unrecognized tax benefits, all of which would impact our effective tax rate, if recognized. We do not anticipate that our unrecognized tax benefits will materially change within the next 12 months. We have not accrued any penalties and interest for our unrecognized tax benefits. Other than the unrecognized tax benefit recorded, we believe that our income tax filing positions and deductions will be sustained upon audit, and we do not anticipate any other adjustments that will result in a material change to our financial position. We may, from time to time, be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. Our policy for recording interest and penalties associated with audits and unrecognized tax benefits is to record such items as a component of income tax in our Statements of Income (Loss).

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin 118 (“SAB 118”), which provides guidance on accounting for the tax effects of the Tax Cut and Jobs Act of 2017 (the “2017 Tax Act”). SAB 118 was added to the FASB codification in March 2018 with the issuance of ASU 2018-05. SAB 118 provides a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under Accounting Standards Codification Topic 740 *Income Taxes* (“ASC 740”). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the 2017 Tax Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the 2017 Tax Act is incomplete but for which they are able to determine a reasonable estimate, it must record a provisional amount in the financial statements. Provisional treatment is proper in light of anticipated additional guidance from various taxing authorities, the SEC, the FASB, and even the Joint Committee on Taxation. Provisional treatment is also necessary if the company is waiting for final financial information from domestic and foreign equity investments. If a company cannot determine a provisional amount to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the 2017 Tax Act.

In accordance with the SAB 118 guidance, some of the income tax effects recorded in 2017 are provisional, including the one-time transition tax, the effect on our valuation allowance including the stricter limits on interest deductions, and the re-measurement of our deferred tax assets and liabilities. In addition, we are still evaluating the Global Intangible Low-Taxed Income provisions of the 2017 Tax Act and its impact, if any, on our Financial Statements. The accounting for these income tax effects may be adjusted during 2018 as a result of continuing analysis of the 2017 Tax Act; additional implementation guidance from the IRS, state tax authorities, the SEC, the FASB, or the Joint Committee on Taxation; and new information from domestic or foreign equity affiliates. As of June 30, 2018, we have not finalized our analysis of these provisional amounts.

18. SEGMENT INFORMATION

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-making group in deciding how to allocate resources and in assessing performance. Our chief operating decision-making group consists of the Chief Executive Officer and the Chief Financial Officer. This group manages the business, allocates resources and measures profitability based on our operating segments. Our operating segments are managed and reviewed separately, as each represents products that can be sold separately to our customers.

Our chief operating decision-making group has determined the following to be the operating segments for which we conduct business: (a) Games and (b) FinTech . We have reported our financial performance based on our segments in both the current and prior periods. Each of these segments is monitored by our management for performance against our internal forecast and is consistent with our internal management reporting.

- The Games segment provides solutions directly to gaming establishments to offer their patrons gaming entertainment-related experiences including: leased gaming equipment; sales and maintenance related services of gaming equipment; gaming systems; and ancillary products and services.
- The FinTech segment provides solutions directly to gaming establishments to offer their patrons cash access-related services and products, including: access to cash at gaming facilities via ATM cash withdrawals, credit card cash access transactions and POS debit card cash access transactions; check-related services; equipment and maintenance services; compliance, audit and data software; casino credit data and reporting services and other ancillary offerings.

Corporate overhead expenses have been allocated to the segments either through specific identification or based on a reasonable methodology. In addition, we record depreciation and amortization expenses to the business segments.

Our business is predominantly domestic with no specific regional concentrations and no significant assets in foreign locations.

The accounting policies of the operating segments are generally the same as those described in the summary of significant accounting policies. Since we adopted ASC 606 utilizing the modified retrospective method, the prior year comparative amounts shown in the tables below have not been restated.

The following tables present segment information (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Games				
Revenues				
Gaming operations	\$ 43,022	\$ 36,869	\$ 83,078	\$ 73,400
Gaming equipment and systems	22,278	17,557	42,431	36,281
Gaming other	648	678	656	699
Total revenues	65,948	55,104	126,165	110,380
Costs and expenses				
Cost of revenues (1)				
Gaming operations	4,211	3,963	8,393	7,171
Gaming equipment and systems	12,045	8,740	22,786	17,976
Gaming other	559	536	559	536
Games total cost of revenues	16,815	13,239	31,738	25,683
Operating expenses	16,210	10,588	28,217	21,197
Research and development	4,595	4,618	8,906	9,161
Depreciation	12,112	9,697	23,252	18,728
Amortization	13,907	14,241	27,392	28,098
Total costs and expenses	63,639	52,383	119,505	102,867
Operating income	\$ 2,309	\$ 2,721	\$ 6,660	\$ 7,513

(1) Exclusive of depreciation and amortization.

	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	2018	2017	2018	2017
FinTech				
Revenues				
Cash access services	\$ 39,739	\$ 175,442	\$ 77,958	\$ 347,175
Equipment	4,765	3,697	9,183	5,997
Information services and other	8,230	7,987	16,377	16,215
Total revenues	<u>52,734</u>	<u>187,126</u>	<u>103,518</u>	<u>369,387</u>
Costs and expenses				
Cost of revenues (1)				
Cash access services	2,446	142,445	4,676	281,106
Equipment	3,426	2,212	5,940	3,631
Information services and other	980	810	2,197	1,529
Cost of revenues	<u>6,852</u>	<u>145,467</u>	<u>12,813</u>	<u>286,266</u>
Operating expenses	21,360	18,191	41,540	36,575
Depreciation	1,589	1,699	3,274	3,498
Amortization	2,645	3,198	5,463	6,666
Total costs and expenses	<u>32,446</u>	<u>168,555</u>	<u>63,090</u>	<u>333,005</u>
Operating income	<u>\$ 20,288</u>	<u>\$ 18,571</u>	<u>\$ 40,428</u>	<u>\$ 36,382</u>

(1) Exclusive of depreciation and amortization.

	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	2018	2017	2018	2017
Total Games and FinTech				
Revenues				
	\$ 118,682	\$ 242,230	\$ 229,683	\$ 479,767
Costs and expenses				
Cost of revenues (1)	23,667	158,706	44,551	311,949
Operating expenses	37,570	28,779	69,757	57,772
Research and development	4,595	4,618	8,906	9,161
Depreciation	13,701	11,396	26,526	22,226
Amortization	16,552	17,439	32,855	34,764
Total costs and expenses	<u>96,085</u>	<u>220,938</u>	<u>182,595</u>	<u>435,872</u>
Operating income	<u>\$ 22,597</u>	<u>\$ 21,292</u>	<u>\$ 47,088</u>	<u>\$ 43,895</u>

(1) Exclusive of depreciation and amortization.

	<u>At June 30,</u>	<u>At December 31,</u>
	2018	2017
Total assets		
Games	\$ 931,730	\$ 925,186
FinTech	508,086	611,888
Total assets	<u>\$ 1,439,816</u>	<u>\$ 1,537,074</u>

Major Customers. For the three and six months ended June 30, 2018 and 2017, no single customer accounted for more than 10% of our revenues. Our five largest customers accounted for approximately 22% of our revenues for the three and six months ended June 30, 2018, and 26% and 27% for the three and six months ended June 30, 2017, respectively.

19. SUBSEQUENT EVENTS

As of the filing date, we had not identified, and were not aware of, any subsequent event for the period.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

In this filing, we refer to: (i) our unaudited condensed consolidated financial statements and notes thereto as our “Financial Statements,” (ii) our Unaudited Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) as our “Statements of Income (Loss),” (iii) our Unaudited Condensed Consolidated Balance Sheets as our “Balance Sheets,” and (iv) our unaudited condensed consolidated results of operations as our “Results of Operations.” Unless otherwise indicated, the terms the “Company,” “we,” “us” and “our” refer to Everi Holdings Inc. (“Everi Holdings,” “Holdings” or “Everi”) together with its consolidated subsidiaries, including Everi Games Holding Inc. (“Everi Games Holding”), Everi Games Inc. (“Everi Games” or “Games”) and Everi Payments Inc. (“Everi FinTech” or “FinTech”).

Cautionary Information Regarding Forward-Looking Statements

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations contains “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as “anticipate,” “believe,” “expect,” “intend,” “estimate,” “project,” “may,” “should,” “will,” “likely,” “will likely result,” “will continue,” “future,” “plan,” “target,” “forecast,” “goal,” “observe,” “seek,” “strategy” and other words and terms of similar meaning. These forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or assumed, including, but not limited to, the following: our ability to generate profits in the future; our ability to execute on mergers, acquisitions and/or strategic alliances, including our ability to integrate and operate such acquisitions consistent with our forecasts; expectations regarding our existing and future installed base and win per day; expectations regarding placement fee arrangements; inaccuracies in underlying operating assumptions; expectations regarding customers’ preferences and demands for future gaming offerings; expectations regarding our product portfolio; the overall growth of the gaming industry, if any; our ability to replace revenue associated with terminated contracts; margin degradation from contract renewals; our ability to comply with the Europay, MasterCard and Visa global standard for cards equipped with security chip technology; our ability to introduce new products and services, including third-party licensed content; gaming establishment and patron preferences; expenditures and product development; anticipated sales performance; our ability to prevent, mitigate or timely recover from cybersecurity breaches, attacks and compromises; national and international economic conditions; changes in gaming regulatory, card association and statutory requirements; regulatory and licensing difficulties; competitive pressures; operational limitations; gaming market contraction; changes to tax laws; uncertainty of litigation outcomes; interest rate fluctuations; business prospects; unanticipated expenses or capital needs; technological obsolescence; our ability to comply with our debt covenants and service outstanding debt; employee turnover and other statements that are not historical facts. If any of these assumptions prove to be incorrect, the results contemplated by the forward-looking statements regarding our future results of operations are unlikely to be realized.

These cautionary statements qualify our forward-looking statements, and you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and the information included in our other press releases, reports and other filings with the Securities and Exchange Commission (the “SEC”). Understanding the information contained in these filings is important in order to fully understand our reported financial results and our business outlook for future periods.

Overview

Everi is a leading supplier of technology solutions for the casino gaming industry. We provide casino operators with a diverse portfolio of products including innovative gaming machines that power the casino floor, and casino operational and management systems that include comprehensive end-to-end payments solutions, critical intelligence offerings, and gaming operations efficiency technology. Everi’s mission is to be a transformative force for casino operations by facilitating memorable player experiences, delivering reliable protection and security, and striving for customer satisfaction and operational excellence.

Everi Holdings reports results of its operations based on the two operating segments: Games and Payments. Effective April 1, 2018, we changed the name of the operating segment previously referred to as “Payments” to “Financial

Technology Solutions” (“Everi FinTech” or “FinTech”). We believe this reference more accurately reflects the focus of the business segment on delivering innovative and integrated solutions. Everi’s FinTech solutions provide actionable information to enhance the efficiency of the casino operator, support the comprehensive regulatory and tax requirements of their gaming customers and improve players’ gaming experience by providing easy access to their funds and payment of winnings.

Everi Games provides a number of products and services for casinos, including (a) gaming machines comprised primarily of Class II and Class III slot machines placed under participation or fixed fee lease arrangements or sold to casino customers, including the award-winning TournEvent®; and (b) system software, licenses, ancillary equipment and maintenance to its casino customers. Everi Games also develops and manages the central determinant system for the video lottery terminals installed in the State of New York.

FinTech provides its casino customers cash access and related products and services including: (a) access to cash at gaming facilities via Automated Teller Machine (“ATM”) cash withdrawals, credit card cash access transactions, point of sale (“POS”) debit card cash access transaction and check verification and warranty services; (b) equipment that provides cash access and efficiency related services; (c) products and services that improve credit decision making, automate cashier operations and enhance patron marketing activities for gaming establishments; (d) compliance, audit and data solutions; and (e) online payment processing solutions for gaming operators in states that offer intrastate, internet-based gaming and lottery activities.

Trends and Developments Impacting our Business

Except as discussed herein, the key trends, developments and challenges facing us are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. During the three and six months ended June 30, 2018, there have been no significant changes in these trends. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Key Trends, Developments and Challenges” in our Annual Report on Form 10-K for our fiscal year ended December 31, 2017, which is incorporated herein by reference.

Impact of ASC 606 on the Comparability of Our Results of Operations

For a detailed discussion of the impact of adopting Accounting Standards Codification Topic 606 *Revenues from Contracts with Customers* (“ASC 606”), refer to “Note 2 — Basis of Presentation and Summary of Significant Accounting Policies” and “Note 3 — Adoption of ASC 606, Revenue from Contracts with Customers” in *Item 1: Financial Statements*, which assesses the impact on our Financial Statements of ASC 606, which applies to us as of January 1, 2018. We determined that the impact of the adoption of ASC 606 utilizing the modified retrospective transition method had a significant impact on the presentation of our financial information, as compared to a gross presentation, in connection with the net basis of reporting of certain revenues and costs of revenues related to our cash access activities in our FinTech segment (with additional immaterial changes to certain revenues and cost of revenues related to our gaming operations activities of our Games segment). This net presentation will not have an effect on operating income (loss), net income (loss) or cash flows and does not have a material impact on the timing of revenues recognized and costs incurred under generally accepted accounting principles in the United States (“GAAP”).

Operating Segments

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-making group in deciding how to allocate resources and in assessing performance. Our chief operating decision-making group consists of the Chief Executive Officer and the Chief Financial Officer. This group manages the business, allocates resources and measures profitability based on our operating segments. The operating segments are managed and reviewed separately, as each represents products that can be sold separately to our customers.

Our chief operating decision-making group has determined the following to be the operating segments for which we conduct business: (a) Games and (b) FinTech . We have reported our financial performance based on our segments in both the current and prior periods. Each of these segments is monitored by our management for performance against our internal forecast and is consistent with our internal management reporting.

- The Games segment provides solutions directly to gaming establishments to offer their patrons gaming entertainment related experiences including: leased gaming equipment; sales and maintenance related services of gaming equipment; gaming systems; and ancillary products and services.
- The FinTech segment provides solutions directly to gaming establishments to offer their patrons cash access related services and products including: access to cash at gaming facilities via ATM cash withdrawals, credit card cash access transactions and POS debit card cash access transactions; check-related services; equipment and maintenance services; compliance, audit and data software; casino credit data and reporting services and other ancillary offerings.

Corporate overhead expenses have been allocated to the segments either through specific identification or based on a reasonable methodology. In addition, we record depreciation and amortization expenses to the business segments.

Our business is predominantly domestic, with no specific regional concentrations and no significant assets in foreign locations.

Results of Operations

Three months ended June 30, 2018 compared to three months ended June 30, 2017

The following table presents our Results of Operations as reported for the three months ended June 30, 2018 compared to the three months ended June 30, 2017 as reported and as adjusted for the retrospective impact of ASC 606 to reflect the prior period results on a net basis of presentation (amounts in thousands)*:

	Three Months Ended								2018 As Reported vs	
	June 30, 2018		June 30, 2017		June 30, 2017		2017 As Adjusted			
	\$	%	\$	%	\$	%	\$	%		
As Reported		As Reported		Adjustments		As Adjusted				
Revenues										
Games revenues										
Gaming operations	\$ 43,022	36 %	\$ 36,869	16 %	\$ (120)	\$ 36,749	36 %	\$ 6,273	17 %	
Gaming equipment and systems	22,278	19 %	17,557	7 %	—	17,557	17 %	4,721	27 %	
Gaming other	648	1 %	678	— %	—	678	1 %	(30)	(4) %	
Games total revenues	65,948	56 %	55,104	23 %	(120)	54,984	54 %	10,964	20 %	
FinTech revenues										
Cash access services	39,739	33 %	175,442	72 %	(139,961)	35,481	34 %	4,258	12 %	
Equipment	4,765	4 %	3,697	2 %	—	3,697	4 %	1,068	29 %	
Information services and other	8,230	7 %	7,987	3 %	—	7,987	8 %	243	3 %	
FinTech total revenues	52,734	44 %	187,126	77 %	(139,961)	47,165	46 %	5,569	12 %	
Total revenues	118,682	100 %	242,230	100 %	(140,081)	102,149	100 %	16,533	16 %	
Costs and expenses										
Games cost of revenues (1)										
Gaming operations	4,211	4 %	3,963	2 %	(120)	3,843	3 %	368	10 %	
Gaming equipment and systems	12,045	10 %	8,740	3 %	—	8,740	9 %	3,305	38 %	
Gaming other	559	— %	536	— %	—	536	1 %	23	4 %	
Games total cost of revenues	16,815	14 %	13,239	5 %	(120)	13,119	13 %	3,696	28 %	

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

	Three Months Ended								2018 As Reported vs 2017 As Adjusted	
	June 30, 2018		June 30, 2017							
	\$	%	\$	%	\$	%	\$	%	\$	%
	As Reported		As Reported		Adjustments	As Adjusted				
FinTech cost of revenues (1)										
Cash access services	2,446	2 %	142,445	59 %	(139,961)	2,484	2 %	(38)	(2) %	
Equipment	3,426	3 %	2,212	1 %	—	2,212	2 %	1,214	55 %	
Information services and other	980	1 %	810	— %	—	810	1 %	170	21 %	
FinTech total cost of revenues	6,852	6 %	145,467	60 %	(139,961)	5,506	5 %	1,346	24 %	
Operating expenses	37,570	31 %	28,779	12 %	—	28,779	28 %	8,791	31 %	
Research and development	4,595	4 %	4,618	2 %	—	4,618	5 %	(23)	— %	
Depreciation	13,701	12 %	11,396	5 %	—	11,396	11 %	2,305	20 %	
Amortization	16,552	14 %	17,439	7 %	—	17,439	17 %	(887)	(5) %	
Total costs and expenses	96,085	81 %	220,938	91 %	(140,081)	80,857	79 %	15,228	19 %	
Operating income	22,597	19 %	21,292	9 %	—	21,292	21 %	1,305	6 %	
Other expenses										
Interest expense, net of interest income	22,122	19 %	23,881	10 %	—	23,881	24 %	(1,759)	(7) %	
Loss on extinguishment of debt	166	— %	14,615	6 %	—	14,615	14 %	(14,449)	(99) %	
Total other expenses	22,288	19 %	38,496	16 %	—	38,496	38 %	(16,208)	(42) %	
Income (loss) before income tax	309	— %	(17,204)	(7) %	—	(17,204)	(17) %	17,513	102 %	
Income tax (benefit) provision	(1,166)	(1) %	1,853	1 %	—	1,853	2 %	(3,019)	(163) %	
Net income (loss)	\$ 1,475	1 %	\$ (19,057)	(8) %	\$ —	\$ (19,057)	(19) %	\$ 20,532	108 %	

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

Revenues

Total revenues increased by \$16.5 million, or 16%, to \$118.7 million for the three months ended June 30, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher Games and FinTech revenues.

Games revenues increased by \$11.0 million, or 20%, to \$66.0 million for the three months ended June 30, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to an increase in both unit sales and average daily win per unit on a higher installed base of leased machines.

FinTech revenues increased by \$ 5.6 million, or 12 %, to \$ 52.7 million for the three months ended June 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher dollar and transaction volumes from cash access services and increased equipment sales .

Costs and Expenses

Games cost of revenues increased by \$3.7 million, or 28%, to \$16.8 million for the three months ended June 30, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to the costs associated with the additional unit sales and an increase in the overall costs of those units.

FinTech cost of revenues increased by \$1.3 million, or 24%, to \$6.9 million for the three months ended June 30, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to the costs associated with the additional equipment sales.

Operating expenses increased by \$8.8 million, or 31%, to \$37.6 million for the three months ended June 30, 2018, as compared to the same period in the prior year. This was primarily due to higher payroll and related expenses for both our Games and FinTech segments and impairment charges with respect to certain inventory component parts and leased assets impairment charges in our Games segment.

Depreciation increased by \$2.3 million or 20%, to \$13.7 million for the three months ended June 30, 2018 as compared to the same period in the prior year. This was primarily due to an increase in leased machines related to the Games segment.

Amortization decreased by \$0.9 million, or 5 %, to \$16.6 million for the three months ended June 30, 2018, as compared to the same period in the prior year. This was primarily due to assets being fully amortized related to both our Games and FinTech segments.

Primarily as a result of the factors described above, operating income increased by \$1.3 million, or 6%, to \$22.6 million for the three months ended June 30, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. The operating margin was 19% for the three months ended June 30, 2018 compared to 21% for the same period in the prior year, as adjusted for the net versus gross retrospective impact of ASC 606.

Interest expense, net of interest income decreased by \$1.8 million, or 7 %, to \$22.1 million for the three months ended June 30, 2018, as compared to the same period of the prior year. This was primarily due to lower interest expense as a result of our debt refinancing transactions in 2017 and an additional repricing of our New Term Loan Facilities in 2018, partially offset by an increase in our cash usage fees in connection with our commercial cash arrangements, higher fees with respect to our New Term Loan Facilities repricing activity and LIBOR increases over the past year.

Loss on extinguishment of debt was \$0.2 million for the three months ended June 30, 2018 as a result of the repricing transaction completed in May 2018 as compared to \$14.6 million for the three months ended June 30, 2017 as a result of our debt refinancing in May 2017.

Income tax benefit was \$1.2 million for the three months ended June 30, 2018, as compared to an income tax provision of \$1.9 million for the same period in the prior year. The income tax benefit reflected an effective income tax rate of negative 377.3% for the three months ended June 30, 2018 that was less than the statutory federal rate of 21.0%, which reflects the enactment of the Tax Cut and Jobs Act of 2017 (the “2017 Tax Act”). This was primarily due to a decrease in our valuation allowance for deferred tax assets, the benefit from stock option exercises and the benefit from a research credit. The decrease in our valuation allowance is primarily due to the current quarter income and the interest deduction limitation (deferred tax asset) which can be offset against our indefinite lived deferred tax liabilities. The income tax provision reflected an effective income tax rate of negative 10.8% for the same period in the prior year, which was less than the statutory federal rate of 35.0%, primarily due to an increase in our valuation allowance for deferred tax assets, partially offset by state taxes, the benefit from stock option exercises, and the benefit from a research credit.

Six months ended June 30, 2018 compared to six months ended June 30, 2017

The following table presents our Results of Operations as reported for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 as reported and as adjusted for the retrospective impact of ASC 606 to reflect the prior period results on a net basis of presentation (amounts in thousands)*:

	June 30, 2018		Six Months Ended				2018 As Reported vs		
	As Reported		June 30, 2017		Adjustments	2017 As Adjusted			
	\$	%	\$	%		\$	%		
Revenues									
Games revenues									
Gaming operations	\$ 83,078	36 %	\$ 73,400	15 %	\$ (135)	\$ 73,265	36 %	\$ 9,813	13 %
Gaming equipment and systems	42,431	19 %	36,281	8 %	—	36,281	18 %	6,150	17 %
Gaming other	656	— %	699	— %	—	699	— %	(43)	(6) %
Games total revenues	126,165	55 %	110,380	23 %	(135)	110,245	54 %	15,920	14 %
FinTech revenues									
Cash access services	77,958	34 %	347,175	73 %	(276,466)	70,709	35 %	7,249	10 %
Equipment	9,183	4 %	5,997	1 %	—	5,997	3 %	3,186	53 %
Information services and other	16,377	7 %	16,215	3 %	—	16,215	8 %	162	1 %
FinTech total revenues	103,518	45 %	369,387	77 %	(276,466)	92,921	46 %	10,597	11 %
Total revenues	229,683	100 %	479,767	100 %	(276,601)	203,166	100 %	26,517	13 %
Costs and expenses									
Games cost of revenues (1)									
Gaming operations	8,393	4 %	7,171	1 %	(135)	7,036	3 %	1,357	19 %
Gaming equipment and systems	22,786	10 %	17,976	4 %	—	17,976	10 %	4,810	27 %
Gaming other	559	— %	536	— %	—	536	— %	23	4 %
Games total cost of revenues	31,738	14 %	25,683	5 %	(135)	25,548	13 %	6,190	24 %

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

	Six Months Ended								2018 As Reported vs 2017 As Adjusted		
	June 30, 2018				June 30, 2017						
	\$	%	\$	%	\$	%	\$	%	\$	%	
	As Reported		As Reported		Adjustments	As Adjusted					
FinTech cost of revenues (1)											
Cash access services	4,676	2 %	281,106	59 %	(276,466)	4,640	2 %	36	1 %		
Equipment	5,940	3 %	3,631	1 %	—	3,631	2 %	2,309	64 %		
Information services and other	2,197	1 %	1,529	— %	—	1,529	1 %	668	44 %		
FinTech total cost of revenues	12,813	6 %	286,266	60 %	(276,466)	9,800	5 %	3,013	31 %		
Operating expenses	69,757	30 %	57,772	12 %	—	57,772	28 %	11,985	21 %		
Research and development	8,906	4 %	9,161	2 %	—	9,161	5 %	(255)	(3) %		
Depreciation	26,526	12 %	22,226	5 %	—	22,226	11 %	4,300	19 %		
Amortization	32,855	14 %	34,764	7 %	—	34,764	17 %	(1,909)	(5) %		
Total costs and expenses	182,595	79 %	435,872	91 %	(276,601)	159,271	79 %	23,324	15 %		
Operating income	47,088	21 %	43,895	9 %	—	43,895	21 %	3,193	7 %		
Other expenses											
Interest expense, net of interest income	42,429	19 %	48,938	10 %	—	48,938	24 %	(6,509)	(13) %		
Loss on extinguishment of debt	166	— %	14,615	3 %	—	14,615	7 %	(14,449)	(99) %		
Total other expenses	42,595	19 %	63,553	13 %	—	63,553	31 %	(20,958)	(33) %		
Income (loss) before income tax	4,493	2 %	(19,658)	(4) %	—	(19,658)	(10) %	24,151	123 %		
Income tax (benefit) provision	(1,591)	(1) %	2,907	1 %	—	2,907	1 %	(4,498)	(155) %		
Net income (loss)	\$ 6,084	3 %	\$ (22,565)	(5) %	\$ —	\$ (22,565)	(11) %	\$ 28,649	127 %		

* Rounding may cause variances.

(1) Exclusive of depreciation and amortization.

Revenues

Total revenues increased by \$26.5 million, or 13%, to \$229.7 million for the six months ended June 30, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher Games and FinTech revenues.

Games revenues increased by \$15.9 million, or 14 %, to \$126.3 million for the six months ended June 30, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to an increase in both unit sales and average selling prices and an increase in an average daily win per unit on a higher installed base of leased machines.

FinTech revenues increased by \$ 10.6 million, or 11 %, to \$ 103.5 million for the six months ended June 30, 2018 , as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to higher dollar and transaction volumes from cash access services and increased equipment sales .

Costs and Expenses

Games cost of revenues increased by \$6.2 million, or 24%, to \$31.7 million for the six months ended June 30, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to the costs associated with the additional unit sales and an increase in the overall costs of those units.

FinTech cost of revenues increased by \$3.0 million, or 31%, to \$12.8 million for the six months ended June 30, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. This was primarily due to the costs associated with the additional equipment sales.

Operating expenses increased by \$12.0 million, or 21%, to \$69.8 million for the six months ended June 30, 2018, as compared to the same period in the prior year. This was primarily due to higher payroll and related expenses for both our Games and FinTech segments and impairment charges with respect to certain inventory component parts and leased assets impairment charges in our Games segment.

Depreciation increased by \$4.3 million or 19%, to \$26.5 million for the six months ended June 30, 2018, as compared to the same period in the prior year. This was primarily due to an increase in leased machines related to the Games segment.

Amortization decreased by \$1.9 million, or 5%, to \$32.9 million for the six months ended June 30, 2018, as compared to the same period in the prior year. This was primarily due to assets being fully amortized related to both our Games and FinTech segments.

Primarily as a result of the factors described above, operating income increased by \$3.2 million, or 7%, to \$47.1 million for the six months ended June 30, 2018, as compared to the same period in the prior year as adjusted for the net versus gross retrospective impact of ASC 606. The operating margin was 21% for the six months ended June 30, 2018 compared to 21% for the same period in the prior year, as adjusted for the net versus gross retrospective impact of ASC 606.

Interest expense, net of interest income decreased by \$6.5 million, or 13%, to \$42.4 million for the six months ended June 30, 2018, as compared to the same period of the prior year. This was primarily due to lower interest expense as a result of our debt refinancing transactions in 2017 and an additional repricing of our New Term Loan Facilities in 2018, partially offset by an increase in our cash usage fees in connection with our commercial cash arrangements, higher fees with respect to our New Term Loan Facilities repricing activity and LIBOR increases over the past year.

Loss on extinguishment of debt was \$0.2 million for the six months ended June 30, 2018 as a result of the repricing transaction completed in May 2018 as compared to \$14.6 million for the six months ended June 30, 2017 as a result of our debt refinancing in May 2017.

Income tax benefit was \$1.6 million for the six months ended June 30, 2018, as compared to an income tax provision of \$2.9 million for the same period in the prior year. The income tax benefit reflected an effective income tax rate of negative 35.4% for the six months ended June 30, 2018 that was less than the statutory federal rate of 21.0%, which reflects the enactment of the Tax Cut and Jobs Act of 2017 (the “2017 Tax Act”). This was primarily due to a decrease in our valuation allowance for deferred tax assets and the benefit from a research credit. The decrease in our valuation allowance is primarily due to the income during the year and the interest deduction limitation (deferred tax asset) which can be offset against our indefinite lived deferred tax liabilities. The income tax provision reflected an effective income tax rate of negative 14.8% for the same period in the prior year, which was less than the statutory federal rate of 35.0%, primarily due to an increase in our valuation allowance for deferred tax assets, partially offset by state taxes, the benefit from stock option exercises, and the benefit from a research credit.

Critical Accounting Policies

The preparation of our Financial Statements in conformity with generally accepted accounting principles in the United States requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in our Financial Statements. The SEC has defined critical accounting policies as the ones that are most important to the portrayal of the financial condition and results of operations, and which require management to make its most difficult and subjective judgments, often as a result of the need to make estimates about matters that are inherently uncertain.

For the three and six months ended June 30, 2018, other than the adoption of Accounting Standards Update (“ASU”) 2014-09 and all subsequent amendments (collectively, ASC 606) and ASU 2016-18, there were no changes to the critical accounting policies and estimates discussed in our audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Overall – Revenue Recognition

We evaluate the recognition of revenue based on the criteria set forth in ASC 606 and ASC 840, as appropriate. We recognize revenue upon transferring control of goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services in accordance with ASC 606. We enter into contracts with customers that may include various combinations of goods and services. Timing of the transfer of control varies based on the nature of the contract. We recognize revenue net of any sales and other taxes collected from customers, which are subsequently remitted to governmental authorities and are not included in revenues or operating expenses. We measure revenue based on the consideration specified in a contract with a customer and adjusted, as necessary, in accordance with ASC 606.

We evaluate the composition of our revenues to ensure compliance with SEC Regulation S-X Section 210.5-03, which requires us to separately present certain categories of revenues that exceed the quantitative threshold on our Statements of Income (Loss).

Significant Judgments

ASC 606 requires that we apply judgments or estimates to determine the performance obligations and the Stand-Alone Selling Price (“SSP”) of each identified performance obligation. The establishment of SSP requires judgment as to whether there is a sufficient quantity of items sold or renewed on a stand-alone basis and those prices demonstrate an appropriate level of concentration to conclude that a SSP exists. The SSP of our goods and services are generally determined based on observable prices, an adjusted market assessment approach or an expected cost plus margin approach. We only utilize a residual approach when the SSP for performance obligations with observable prices have been established and the remaining performance obligation in the contract with a customer does not have an observable price as it is uncertain or highly variable and, therefore, is not discernable.

Collectability

To assess collectability, we determine whether it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the goods and services transferred to the customer in accordance with the terms and conditions of the contract. In connection with these procedures, we evaluate the customer using internal and external information available, including, but not limited to, research and analysis of the credit history with the customer. Based on the nature of our transactions and historical trends, we determine whether our customers have the ability and intention to pay the amounts of consideration when they become due to identify potentially significant credit risk exposure.

Contract Combinations - Multiple Promised Goods and Services

Our contracts may include promises to transfer multiple goods and services to a customer. Our Games and FinTech businesses may enter into multiple agreements with the same customer that meet the criteria to be combined for accounting purposes under ASC 606. When this occurs, a SSP will be determined for each performance obligation in the combined arrangement and the consideration allocated between the respective performance obligations. We use our

judgment to analyze the nature of the promises made and determine whether each is distinct or should be combined with other promises in the contract based on the level of integration and interdependency between the individual deliverables .

Disaggregation of Revenues

We disaggregate revenues based on the nature and timing of the cash flows generated by such revenues as presented in “Note 18 — Segment Information.”

Outbound Freight Costs

Upon transferring control of a good to a customer, the shipping and handling costs in connection with sale transactions are accounted for as fulfillment costs and included in cost of revenues.

Costs to Acquire a Contract with a Customer

We typically incur incremental costs to acquire customer contracts in the form of sales commission expenses. We evaluate those acquisition costs for groups of contracts with similar characteristics, based on the nature of the transactions. The incremental costs to acquire customer contracts identified would be amortized within one year and, as a result, we elected to utilize the practical expedient set forth in ASC 340-40, Contract Costs – *Incremental Costs of Obtaining a Contract* to expense these amounts as incurred.

Asset Balances

In connection with the adoption of ASC 606 utilizing the modified retrospective transition method, we recorded an immaterial cumulative adjustment with respect to certain amounts that had been previously deferred under the then existing revenue recognition guidance as of December 31, 2017 that required recognition under ASC 606 as of the effective date of adoption in accumulated deficit.

Games Revenues

Gaming Operations

Games revenues are primarily generated by our gaming operations under placement, participation and development arrangements in which we provide our customers with player terminals, player terminal-content licenses, central determinant systems for devices placed in service in licensed jurisdictions and back-office equipment, collectively referred to herein as leased gaming equipment. We evaluate the recognition of lease revenues based on criteria set forth in ASC 840. Generally, under these arrangements, we retain ownership of the leased gaming equipment installed at customer facilities and we receive revenues based on a percentage of the net win per day generated by the leased gaming equipment or a fixed daily fee based on the number of player terminals installed at the facility. Revenues from lease participation or daily fee arrangements are considered both realizable and earned at the end of each gaming day.

Gaming operations revenues generated by leased gaming equipment deployed at sites under development or placement fee agreements give rise to contract rights, which are amounts recorded to intangible assets for dedicated floor space resulting from such agreements. The gaming operations revenues generated by these arrangements are reduced by the accretion of contract rights, which represents the related amortization of the contract rights recorded in connection with those agreements.

Gaming operations revenues include revenues generated by Wide Area Progressive (“WAP”) systems, which consist of linked slot machines located in multiple casino properties that are connected to a central system. WAP-based gaming machines have a progressive jackpot we administer that increases with every wager until a player wins the top award combination. Casino operators pay us a percentage of the coin-in (the total amount wagered) for services related to the design, assembly, installation, operation, maintenance, administration and marketing of the WAP systems. The gaming operations revenues with respect to WAP-based gaming machines are presented in the Statements of Income (Loss) net of the jackpot expense, which is comprised of incremental amount funded by a portion of the coin-in from players. At such time a jackpot is won by a player, an additional jackpot expense is recorded with respect to the base seed amount required to fund the minimum level required by the respective WAP arrangement with the casino operator.

Gaming Equipment and Systems

Gaming equipment and systems revenues are derived from the sale of gaming equipment to our customers under contracts on standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

Gaming Other

Gaming other revenues primarily consist of our TournEvent of Champions® national tournament and are recognized over a period of time as the customer simultaneously receives and consumes the benefits.

FinTech Revenues

Cash Access Services

Cash access services revenues are comprised of cash advance, ATM and check services revenue streams. We do not control the cash advance and ATM services provided to a customer and, therefore, we are acting as an agent whose performance obligation is to arrange for the provision of these services.

Cash advance revenues are comprised of transaction fees assessed to gaming patrons in connection with credit card cash access and POS debit card cash access transactions. Such fees are primarily based on a combination of a fixed amount plus a percentage of the face amount of the credit card cash access or POS debit card cash access transaction amount. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third party partners.

ATM revenues are primarily comprised of transaction fees in the form of cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals at the time the transactions are authorized and reverse interchange fees paid to us by the patrons' issuing banks. The cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals are currently a fixed dollar amount and not a percentage of the transaction amount. In connection with these types of transactions, we report certain direct costs incurred as reductions to revenues on a net basis, which generally include: (i) commission expenses payable to casino operators; (ii) interchange fees payable to the network associations; and (iii) processing and related costs payable to other third party partners.

Check services revenues are principally comprised of check warranty revenues and are generally based upon a percentage of the face amount of checks warranted. These fees are paid to us by gaming establishments.

For cash access services arrangements, we recognize revenues over a period of time using an output method depicting the transfer of control to the customer based on variable consideration, such as volume of transactions processed with variability generally resolved in the reporting period.

Equipment

Equipment revenues are derived from the sale of equipment under contracts with standard credit terms, which are generally short-term in nature, and are recognized at a point in time when control of the promised goods and services transfers to the customer generally upon shipment or delivery pursuant to the terms of the contract.

Information Services and Other

Information services and other revenues include amounts derived from the sale of: (i) software licenses, software subscriptions, professional services and certain other ancillary fees; (ii) service related fees associated with the sale, installation and maintenance of equipment directly to our customers under contracts on standard credit terms, which are generally short-term in nature, secured by the related equipment, (iii) credit worthiness related software subscription services that are based upon either a flat monthly unlimited usage fee or a variable fee structure driven by the volume of patron credit histories generated; and (iv) ancillary marketing, database and internet-based gaming related activities.

Our software represents a functional right-to-use license and the revenues are recognized at a point in time. Subscription services represent a stand-ready performance obligation and the revenues are recognized over a period of time using an input method based on time elapsed. Professional and other services revenues are recognized over a period of time using an input method based on time elapsed as services are provided, thereby reflecting the transfer of control to the customer.

Income taxes

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin 118 (“SAB 118”), which provides guidance on accounting for the tax effects of the 2017 Tax Act. SAB 118 was added to the Financial Accounting Standards Board (the “FASB”) codification in March 2018 with the issuance of ASU No. 2018-05. SAB 118 provides a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under Accounting Standards Codification Topic 740 *Income Taxes* (“ASC 740”). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the 2017 Tax Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the 2017 Tax Act is incomplete but for which they are able to determine a reasonable estimate, it must record a provisional amount in the financial statements. Provisional treatment is proper in light of anticipated additional guidance from various taxing authorities, the SEC, the FASB, and even the Joint Committee on Taxation. Provisional treatment is also necessary if the company is waiting for final financial information from domestic and foreign equity investments. If a company cannot determine a provisional amount to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the 2017 Tax Act.

In accordance with the SAB 118 guidance, some of the income tax effects recorded in 2017 are provisional, including the one-time transition tax, the effect on our valuation allowance including the stricter limits on interest deductions, and the re-measurement of our deferred tax assets and liabilities. In addition, we are still evaluating the Global Intangible Low-Taxed Income provisions of the 2017 Tax Act and its impact, if any, on our Financial Statements. The accounting for these income tax effects may be adjusted during 2018 as a result of continuing analysis of the 2017 Tax Act; additional implementation guidance from the IRS, state tax authorities, the SEC, the FASB, or the Joint Committee on Taxation; and new information from domestic or foreign equity affiliates. As of June 30, 2018, we have not finalized our analysis of these provisional amounts.

Restricted Cash

Our restricted cash, which is included in prepaid expenses and other assets, primarily consists of: (i) deposits held in connection with a sponsorship agreement; (ii) WAP-related restricted funds; and (iii) Internet related cash access activities. The current portion of restricted cash, which is included in prepaid expenses and other assets, was approximately \$0.9 million as of June 30, 2018 and December 31, 2017. The non-current portion of restricted cash, which is included in other assets, was approximately \$0.1 million as of June 30, 2018 and December 31, 2017. The current portion of restricted cash was approximately \$0.5 million and \$0.3 million as of June 30, 2018 and December 31, 2017, respectively. The non-current portion of restricted cash was approximately \$0.1 million as of June 30, 2017 and December 31, 2016.

Recent Accounting Guidance

For a description of our recently adopted accounting guidance, see “ Note 2 — Basis of Presentation and Summary of Significant Accounting Policies — Recent Accounting Guidance” of our Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The following table presents selected balance sheet information and an unaudited reconciliation of cash and cash equivalents per GAAP to net cash position and net cash available (in thousands):

	<u>At June 30,</u> <u>2018</u>	<u>At December 31</u> <u>2017</u>
Balance sheet data		
Total assets	\$ 1,439,816	\$ 1,537,074
Total borrowings	1,165,597	1,167,843
Total stockholders' deficit	(120,274)	(140,633)
Cash available		
Cash and cash equivalents	\$ 110,164	\$ 128,586
Settlement receivables	139,314	227,403
Settlement liabilities	(217,473)	(317,744)
Net cash position (1)	<u>32,005</u>	<u>38,245</u>
Undrawn revolving credit facility	35,000	35,000
Net cash available (1)	<u>\$ 67,005</u>	<u>\$ 73,245</u>

- (1) Non-GAAP measure. In order to enhance investor understanding of our cash balance, we are providing in this Quarterly Report on Form 10-Q net cash position and net cash available, which are not measures of our financial performance or position under GAAP. Accordingly, these measures should not be considered in isolation or as a substitute for, and should be read in conjunction with, our cash and cash equivalents prepared in accordance with GAAP. We define (i) net cash position as cash and cash equivalents plus settlement receivables less settlement liabilities and (ii) net cash available as net cash position plus undrawn amounts available under our Revolving Credit Facility (defined herein). We present net cash position because our cash position, as measured by cash and cash equivalents, depends upon changes in settlement receivables and the timing of payments related to settlement liabilities. As such, our cash and cash equivalents can change substantially based upon the timing of our receipt of payments for settlement receivables and payments we make to customers for our settlement liabilities. We present net cash available as management monitors this amount in connection with the forecasting of cash flows and future cash requirements.

Cash Resources

Our cash balance, cash flows and line of credit are expected to be sufficient to meet our recurring operating commitments and to fund our planned capital expenditures for the foreseeable future. Cash and cash equivalents at June 30, 2018 included cash in non-U.S. jurisdictions of approximately \$14.7 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside, and as a result of the 2017 Tax Act, enacted on December 22, 2017, we will not be subject to additional taxation if we decide to repatriate foreign funds to the U.S., except for potential withholding tax.

We expect that our cash provided by operating activities will be sufficient for our operating and debt servicing needs during the next 12 months. If not, we have sufficient borrowings available under our New Credit Facilities to meet additional funding requirements. We monitor the financial strength of our lenders on an ongoing basis using publicly-available information. Based upon that information, we believe there is not a likelihood that any of our lenders might not be able to honor their commitments under the Credit Agreement.

We provide cash settlement services to our customers related to our cash access products. These services involve the movement of funds between the various parties associated with cash access transactions. These activities result in a balance due to us at the end of each business day for the face amount provided to patrons plus the service fee charged to those patrons that we recoup over the next few business days and classify as settlement receivables. These activities also result in a balance due to our customers at the end of each business day for the face amount provided to patrons that we remit over the next few business days and classify as settlement liabilities. As of June 30, 2018, we had \$139.3 million in settlement receivables, for which we generally receive payment within one week. As of June 30, 2018, we had

\$ 217.5 million in settlement liabilities due to our customers for these settlement services that are generally paid within the next month. As the timing of cash received from settlement receivables and payment of settlement liabilities may differ, the total amount of cash held by us will fluctuate throughout the year.

Sources and Uses of Cash

The following table presents a summary of our cash flow activity (in thousands):

	<u>Six Months Ended June 30,</u>		<u>2018 vs 2017</u>
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Cash flow activities			
Operating activities	\$ 49,231	\$ 74,092	\$ (24,861)
Investing activities	(67,974)	(46,738)	(21,236)
Financing activities	950	1,525	(575)
Effect of exchange rates on cash	(620)	882	(1,502)
Cash, cash equivalents and restricted cash			
Net decrease for the period	(18,413)	29,761	(48,174)
Balance, beginning of the period	129,604	119,438	10,166
Balance, end of the period	<u>\$ 111,191</u>	<u>\$ 149,199</u>	<u>\$ (38,008)</u>

Cash flows provided by operating activities decreased by \$24.9 million for the six months ended June 30, 2018, as compared to the same period in the prior year. This was primarily attributable to changes in working capital, partially offset by the change to a net income position from a net loss position.

Cash flows used in investing activities increased by \$21.2 million for the six months ended June 30, 2018, as compared to the same period in the prior year. This was primarily attributable to additional capital expenditures and payments made under our placement fee agreements in our Games segment.

Cash flows provided by financing activities decreased by \$0.1 million for the six months ended June 30, 2018, as compared to the same period in the prior year. This was primarily attributable to the debt refinancing transactions in 2017, debt repricing transaction in 2018 and principal loan repayments, offset by additional proceeds from the exercise of stock options in 2018 as compared to 2017.

Long-Term Debt

The following table summarizes our outstanding indebtedness (in thousands):

	<u>At June 30,</u>	<u>At December 31</u>
	<u>2018</u>	<u>2017</u>
Long-term debt		
Senior secured term loan	\$ 811,800	\$ 815,900
Senior unsecured notes	375,000	375,000
Total debt	1,186,800	1,190,900
Less: debt issuance costs and discount	(21,203)	(23,057)
Total debt after debt issuance costs and discount	1,165,597	1,167,843
Less: current portion of long-term debt	(8,200)	(8,200)
Long-term debt, less current portion	<u>\$ 1,157,397</u>	<u>\$ 1,159,643</u>

Refinancing

On May 9, 2017 (the "Closing Date"), Everi Payments, as borrower, and Holdings entered into a credit agreement with the lenders party thereto and Jefferies Finance LLC, as administrative agent, collateral agent, swing line lender, letter of credit issuer, sole lead arranger and sole book manager (amended as described below, the "New Credit Agreement"). The New Credit Agreement provides for: (i) a \$35.0 million, five-year senior secured revolving credit facility (the "New

Revolving Credit Facility”); and (ii) an \$ 820.0 million, seven-year senior secured term loan facility (the “New Term Loan Facility,” and together with the New Revolving Credit Facility, the “New Credit Facilities”). The fees associated with the New Credit Facilities included discounts of approximately \$ 4.1 million and debt issuance costs of approximately \$ 15.5 million. All borrowings under the New Revolving Credit Facility are subject to the satisfaction of customary conditions, including the absence of defaults and the accuracy of representations and warranties.

The proceeds from the New Term Loan Facility incurred on the Closing Date were used to: (i) refinance: (a) Everi Payments’ existing credit facility with an outstanding balance of approximately \$462.3 million with Bank of America, N.A., as administrative agent, collateral agent, swing line lender and letter of credit issuer, Deutsche Bank Securities Inc., as syndication agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc., as joint lead arrangers and joint book managers (the “Prior Credit Facility”); and (b) Everi Payments’ 7.25% Senior Secured Notes due 2021 in the aggregate original principal amount of \$335.0 million (the “Refinanced Secured Notes”); and (ii) pay related transaction fees and expenses.

In connection with the refinancing, we recorded a non-cash charge of approximately \$14.6 million during the second quarter of 2017 related to the unamortized deferred financing fees and discounts related to the extinguished term loan under the Prior Credit Facility and the redeemed Refinanced Secured Notes. No prepayment penalties were incurred.

On November 13, 2017 (the “Repricing Closing Date”), we entered into an amendment to the New Credit Agreement (the “First Amendment”) which, among other things, reduced the interest rate on the approximately \$818.0 million then outstanding balance of the New Term Loan Facility, but did not change the maturity dates for the New Term Loan Facility or the New Revolving Credit Facility or the financial covenants or other debt repayments terms set forth in the New Credit Agreement. We incurred approximately \$3.0 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

On May 17, 2018, we entered into a Second Amendment (the “Second Amendment”) to the New Credit Agreement, which reduced the interest rate on the \$813.9 million outstanding balance of the senior secured term loan under the Credit Agreement by 50 basis points to LIBOR + 3.00% from LIBOR + 3.50% with the LIBOR floor unchanged at 1.00%. The senior secured term loan under the Credit Agreement will be subject to a prepayment premium of 1.00% of the principal amount repaid for any voluntary prepayment or mandatory prepayment with proceeds of debt that has a lower effective yield than the repriced term loan or any amendment to the repriced term loan that reduces the interest rate thereon, in each case, to the extent occurring within six months of the effective date of the Second Amendment. The maturity date for the Credit Agreement remains May 9, 2024, and no changes were made to the financial covenants or other debt repayment terms. We incurred approximately \$1.3 million of debt issuance costs and fees associated with the repricing of the New Term Loan Facility.

New Credit Facilities

The New Term Loan Facility matures seven years after the Closing Date and the New Revolving Credit Facility matures five years after the Closing Date. The New Revolving Credit Facility is available for general corporate purposes, including permitted acquisitions, working capital and the issuance of letters of credit.

The interest rate per annum applicable to loans under the New Revolving Credit Facility is, at Everi Payments’ option, the base rate or the Eurodollar Rate (defined to be the London Interbank Offered Rate or a comparable or successor rate) (the “Eurodollar Rate”) plus, in each case, an applicable margin. The interest rate per annum applicable to the New Term Loan Facility also is, at Everi Payments’ option, the base rate or the Eurodollar Rate plus, in each case, an applicable margin. The Eurodollar Rate is reset at the beginning of each selected interest period based on the Eurodollar Rate then in effect; provided that, if the Eurodollar Rate is below zero, then such rate will be equal to zero plus the applicable margin. The base rate is a fluctuating interest rate equal to the highest of: (i) the prime lending rate announced by the administrative agent; (ii) the federal funds effective rate from time to time plus 0.50%; and (iii) the Eurodollar Rate (after taking account of any applicable floor) applicable for an interest period of one month plus 1.00%. Prior to the effectiveness of the First Amendment on the Repricing Closing Date, the applicable margins for both the New Revolving Credit Facility and the New Term Loan Facility were: (i) 4.50% in respect of Eurodollar Rate loans and (ii) 3.50% in respect of base rate loans. The applicable margins for the New Term Loan Facility from and after the effectiveness of the First Amendment on the Repricing Closing Date through the effectiveness of the Second Amendment were: (i) 3.50% in respect of Eurodollar Rate loans and (ii) 2.50% in respect of base rate loans. The applicable margins for the New Term

Loan Facility from and after the effectiveness of the Second Amendment are : (i) 3.00% in respect of Eurodollar Rate loans and (ii) 2.00% in respect of base rate loans .

Voluntary prepayments of the term loan and the revolving loans and voluntary reductions in the unused commitments are permitted in whole or in part, in minimum amounts as set forth in the New Credit Agreement governing the New Credit Facilities, with prior notice but without premium or penalty, except that certain refinancings of the term loans within six months after the Repricing Closing Date will be subject to a prepayment premium of 1.00% of the principal amount repaid.

Subject to certain exceptions, the obligations under the New Credit Facilities are secured by substantially all of the present and subsequently acquired assets of each of Everi Payments, Holdings and the subsidiary guarantors party thereto including: (i) a perfected first priority pledge of all the capital stock of Everi Payments and each domestic direct, wholly owned material restricted subsidiary held by Holdings, Everi Payments or any such subsidiary guarantor; and (ii) a perfected first priority security interest in substantially all other tangible and intangible assets of Holdings, Everi Payments, and such subsidiary guarantors (including, but not limited to, accounts receivable, inventory, equipment, general intangibles, investment property, real property, intellectual property and the proceeds of the foregoing). Subject to certain exceptions, the New Credit Facilities are unconditionally guaranteed by Holdings and such subsidiary guarantors.

The New Credit Agreement governing the New Credit Facilities contains certain covenants that, among other things, limit Holdings' ability, and the ability of certain of its subsidiaries, to incur additional indebtedness, sell assets or consolidate or merge with or into other companies, pay dividends or repurchase or redeem capital stock, make certain investments, issue capital stock of subsidiaries, incur liens, prepay, redeem or repurchase subordinated debt, and enter into certain types of transactions with its affiliates. The New Credit Agreement governing the New Credit Facilities also requires Holdings, together with its subsidiaries, to comply with a consolidated secured leverage ratio. At June 30, 2018, our consolidated secured leverage ratio was 3.42 to 1.00, with a maximum allowable ratio of 5.00 to 1.00 (which maximum allowable ratio is reduced to 4.75 to 1.00 as of December 31, 2018, 4.50 to 1.00 as of December 31, 2019, 4.25 to 1.00 as of December 31, 2020, and 4.00 to 1.00 as of December 31, 2021 and each December 31 thereafter).

We were in compliance with the covenants and terms of the New Credit Facilities as of June 30, 2018.

Events of default under the New Credit Agreement governing the New Credit Facilities include customary events such as a cross-default provision with respect to other material debt. In addition, an event of default will occur if Holdings undergoes a change of control. This is defined to include the case where Holdings ceases to own 100% of the equity interests of Everi Payments, or where any person or group acquires a percentage of the economic or voting interests of Holdings' capital stock of 35% or more (determined on a fully diluted basis).

We are required to repay the New Term Loan Facility in an amount equal to 0.25% per quarter of the initial aggregate principal, with the final principal repayment installment on the maturity date. Interest is due in arrears on each interest payment date applicable thereto and at such other times as may be specified in the New Credit Agreement. As to any loan other than a base rate loan, the interest payment dates shall be the last day of each interest period applicable to such loan and the maturity date (provided, however, that if any interest period for a Eurodollar Rate loan exceeds three months, the respective dates that fall every three months after the beginning of such interest period shall also be interest payment dates). As to any base rate loan, the interest payment dates shall be last business day of each March, June, September and December and the maturity date.

For the three and six months ended June 30, 2018, the New Term Loan Facility had an applicable weighted average interest rate of 5.24% and 5.15%, respectively.

At June 30, 2018, we had \$811.8 million of borrowings outstanding under the New Term Loan Facility and no borrowings outstanding under the New Revolving Credit Facility. We had \$35.0 million of additional borrowing availability under the New Revolving Credit Facility as of June 30, 2018.

Refinanced Senior Secured Notes

In connection with entering into the New Credit Agreement, on May 9, 2017, Everi Payments redeemed in full all outstanding Refinanced Secured Notes in the aggregate principal amount of \$335.0 million face value (plus accrued interest) of the Refinanced Secured Notes. As a result of the redemption, we recorded non-cash charges in the amount of approximately \$1.7 million, which consisted of unamortized deferred financing fees of \$0.2 million and discounts of \$1.5 million. These fees were included in the total \$14.6 million non-cash charge referred to above.

Senior Unsecured Notes

In December 2014, we issued \$350.0 million in aggregate principal amount of 10.0% Senior Unsecured Notes due 2022 (the “2014 Unsecured Notes”) under an indenture (as supplemented, the “2014 Notes Indenture”), dated December 19, 2014, between Everi Payments (as successor issuer), and Deutsche Bank Trust Company Americas, as trustee. The fees associated with the 2014 Unsecured Notes included original issue discounts of approximately \$3.8 million and debt issuance costs of approximately \$14.0 million. In December 2015, we completed an exchange offer in which all of the unregistered 2014 Unsecured Notes were exchanged for a like amount of 2014 Unsecured Notes that had been registered under the Securities Act.

In December 2017, we issued \$375.0 million in aggregate principal amount of 7.50% Senior Unsecured Notes due 2025 (the “2017 Unsecured Notes”) under an indenture (the “2017 Notes Indenture”), dated December 5, 2017, among Everi Payments (as issuer), Holdings and certain of its direct and indirect domestic subsidiaries as guarantors, and Deutsche Bank Trust Company Americas, as trustee. Interest on the 2017 Unsecured Notes accrues at a rate of 7.50% per annum and is payable semi-annually in arrears on each June 15 and December 15, commencing on June 15, 2018. The 2017 Unsecured Notes will mature on December 15, 2025. We incurred approximately \$6.1 million of debt issuance costs and fees associated with the issuance of the 2017 Unsecured Notes.

On December 5, 2017, together with the issuance of the 2017 Unsecured Notes, Everi Payments satisfied and discharged the 2014 Notes Indenture relating to the 2014 Unsecured Notes. To effect the satisfaction and discharge, Everi Payments issued an unconditional notice of redemption to Deutsche Bank Trust Company Americas, as trustee, of the redemption in full on January 15, 2018 (the “Redemption Date”) of all outstanding 2014 Unsecured Notes under the terms of the 2014 Notes Indenture. In addition, using the proceeds from the sale of the 2017 Unsecured Notes and cash on hand, Everi Payments irrevocably deposited with the trustee funds sufficient to pay the redemption price of the 2014 Unsecured Notes of 107.5% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the Redemption Date (the “Redemption Price”), and irrevocably instructed the trustee to apply the deposited money toward payment of the Redemption Price for the 2014 Unsecured Notes on the Redemption Date. Upon the trustee’s receipt of such funds and instructions, along with an officer’s certificate of Everi Payments and an opinion of counsel certifying and opining that all conditions under the 2014 Notes Indenture to the satisfaction and discharge of the 2014 Notes Indenture had been satisfied, the 2014 Notes Indenture was satisfied and discharged, and all of the obligations of Everi Payments and the guarantors under the 2014 Notes Indenture ceased to be of further effect, as of December 5, 2017 (subject to certain exceptions). The 2014 Unsecured Notes were thereafter redeemed on the Redemption Date.

In connection with the issuance of the 2017 Unsecured Notes and the redemption of the 2014 Unsecured Notes, in December 2017 we incurred a \$37.2 million loss on extinguishment of debt consisting of a \$26.3 million make-whole premium related to the satisfaction and redemption of the 2014 Unsecured Notes and approximately \$10.9 million for the write-off of related unamortized debt issuance costs and fees.

We were in compliance with the terms of the 2017 Unsecured Notes as of June 30, 2018.

Contractual Obligations

There were no material changes in our commitments under contractual obligations as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

We are subject to claims and suits that arise from time to time in the ordinary course of business. We do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

Off-Balance Sheet Arrangements

We have commercial arrangements with third party vendors to provide cash for certain of our ATMs. For the use of these funds, we pay a cash usage fee on either the average daily balance of funds utilized multiplied by a contractually defined cash usage rate or the amounts supplied multiplied by a contractually defined cash usage rate. These cash usage fees, reflected as interest expense within the Statements of Income (Loss), were \$2.0 million and \$3.7 million for the three and six months ended June 30, 2018, respectively, and \$1.2 million and \$2.4 million for the three and six months ended June 30, 2017, respectively. We are exposed to interest rate risk to the extent that the applicable rates increase.

Under these agreements, the currency supplied by third party vendors remain their sole property until the funds are dispensed. As these funds are not our assets, supplied cash is not reflected on the Balance Sheets. The outstanding balances of ATM cash utilized by us were \$225.3 million and \$289.8 million as of June 30, 2018 and December 31, 2017, respectively.

The primary commercial arrangement, the Contract Cash Solutions Agreement, as amended, with Wells Fargo, N.A. (“Wells Fargo”), provides us with cash in the maximum amount of \$300.0 million with the ability to increase the amount by \$75 million over a 5-day period for special occasions, such as the period around New Year’s Day. The agreement currently expires on June 30, 2020. We are responsible for any losses of cash in the ATMs under this agreement and we self-insure for this risk. We incurred no material losses related to this self-insurance for the three and six months ended June 30, 2018 and 2017.

Effects of Inflation

Our monetary assets, consisting primarily of cash, receivables, inventory and our non-monetary assets, consisting primarily of the deferred tax asset, goodwill and other intangible assets, are not significantly affected by inflation. We believe that replacement costs of equipment, furniture and leasehold improvements will not materially affect our operations. However, the rate of inflation affects our operating expenses, such as those for salaries and benefits, armored carrier expenses, telecommunications expenses and equipment repair and maintenance services, which may not be readily recoverable in the financial terms under which we provide our Games and FinTech products and services to gaming establishments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of business, we are exposed to foreign currency exchange risk. We operate and conduct business in foreign countries and, as a result, are exposed to movements in foreign currency exchange rates. Our exposure to foreign currency exchange risk related to our foreign operations is not material to our results of operations, cash flows or financial position. At present, we do not hedge this risk, but continue to evaluate such foreign currency translation risk exposure.

Wells Fargo supplies us with currency needed for normal operating requirements of our domestic ATMs pursuant to the Contract Cash Solutions Agreement. Under the terms of this agreement, we pay a monthly cash usage fee based upon the product of the average daily dollars outstanding in all such ATMs multiplied by a margin that is tied to LIBOR. We are, therefore, exposed to interest rate risk to the extent that the applicable LIBOR increases. The currency supplied by Wells Fargo was \$225.3 million as of June 30, 2018. Based upon this outstanding amount of currency supplied by Wells Fargo, each 1% increase in the applicable LIBOR would have a \$2.3 million impact on income before taxes over a 12-month period.

The New Credit Facilities bear interest at rates that can vary over time. We have the option of having interest on the outstanding amounts under the New Credit Facilities paid based on a base rate or based on LIBOR. We have historically elected to pay interest based on LIBOR, and we expect to continue to pay interest based on LIBOR of various maturities.

The weighted average interest rate on the New Credit Facilities was 5.24% and 5.15% for the three and six months ended June 30, 2018, respectively. Based upon the outstanding balance on the New Credit Facilities of \$811.8 million as of June 30, 2018, each 1% increase in the applicable LIBOR would have an \$8.1 million impact on interest expense over a 12-month period. The interest rate on the 2017 Unsecured Notes is fixed, and therefore, an increase in LIBOR does not impact the interest expense associated with such notes.

Item 4. Controls and Procedures .

Evaluation of Disclosure Controls and Procedures

Our management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective such that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified by the SEC’s rules and forms and (ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting during the Quarter Ended June 30, 2018

In connection with the adoption of ASC 606, we assessed the impact and applied changes to our internal control over financial reporting to update additional control procedures with respect to the preparation of our financial information.

Except as noted above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in various investigations, claims and lawsuits in the ordinary course of our business. In addition, various legal actions, claims and governmental inquiries and proceedings are pending or may be instituted or asserted in the future against us and our subsidiaries. Although the outcome of our legal proceedings cannot be predicted with certainty and no assurances can be provided, based upon current information, we do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

Item 1A. Risk Factors.

We refer you to documents filed by us with the SEC, specifically “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which identify important risk factors that could materially affect our business, financial condition and future results. We also refer you to the factors and cautionary language set forth in the section entitled “Cautionary Statements Regarding Forward-looking Statements” in “Item 2. Management’s Discussion and Analysis of Financial Conditions and Results of Operations” of this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q, including the accompanying Financial Statements, should be read in conjunction with such risks and other factors for a full understanding of our operations and financial condition. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. The risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 have not materially changed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases and Withholding of Equity Securities

	Total Number of Shares Purchased ⁽¹⁾ (in thousands)	Average Price per Share ⁽²⁾
Tax Withholdings		
4/1/18 - 4/30/18	0.4	\$ 6.57
5/1/18 - 5/31/18	0.4	\$ 7.10
6/1/18 - 6/30/18	0.4	\$ 8.25
Total	<u>1.2</u>	<u>\$ 7.31</u>

(1) Represents the shares of common stock that were withheld from restricted stock awards to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards. There are no limitations on the number of shares of common stock that may be withheld from restricted stock awards to satisfy the minimum tax withholding obligations incident to the vesting of restricted stock awards.

(2) Represents the average price per share of common stock withheld from restricted stock awards on the date of withholding .

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit Number	Description
10.1	<u>Second Amendment to Credit Agreement, dated as of May 17, 2018, by and among Everi Payments, Inc., Everi Holdings, Inc., Everi Games Holding Inc., Everi Games, Inc., Everi Interactive, LLC, Central Credit, LLC and GCA, MTL, LLC, the lenders signatory thereto and Jefferies Finance LLC, as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on May 17, 2018).</u>
10.2*	<u>Form of Deferred Restricted Stock Units Agreement for the Board of Directors under the Company's 2012 Equity Incentive Plan.</u>
10.3*	<u>Form of Notice of Grant of Deferred Restricted Stock Units for the Board of Directors under the Company's 2012 Equity Incentive Plan.</u>
10.4*	<u>Form of Deferred Restricted Stock Units Agreement for the Board of Directors under the Company's 2014 Equity Incentive Plan.</u>
10.5*	<u>Form of Notice of Grant of Deferred Restricted Stock Units for the Board of Directors under the Company's 2014 Equity Incentive Plan.</u>
10.6*	<u>Form of Restricted Stock Units Agreement under the Company's 2014 Equity Incentive Plan.</u>
10.7*	<u>Form of Notice of Grant of Restricted Stock Units (Performance-Based) for Executives under the Company's 2014 Equity Incentive Plan.</u>
10.8*	<u>Form of Notice of Grant of Restricted Stock Units (Time-Based) under the Company's 2014 Equity Incentive Plan.</u>
10.9*	<u>Form of Notice of Grant of Restricted Stock Units (Time-Based) for Executives under the Company's 2014 Equity Incentive Plan.</u>
31.1*	<u>Certification of Michael D. Rumbolz, President and Chief Executive Officer of Everi Holdings Inc. in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Randy L. Taylor, Chief Financial Officer of Everi Holdings Inc. in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification of Michael D. Rumbolz, President and Chief Executive Officer of Everi Holdings Inc. in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of Randy L. Taylor, Chief Financial Officer of Everi Holdings Inc. in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 7, 2018

(Date)

EVERI HOLDINGS INC.

(Registrant)

By: /s/ Todd A. Valli

Todd A. Valli

Senior Vice President, Corporate Finance and
Chief Accounting Officer

(For the Registrant and as Principal
Accounting Officer)

EVERI HOLDINGS INC.
RESTRICTED STOCK UNITS AGREEMENT – 2012 PLAN

Everi Holdings Inc. has granted to the Participant named in the *Non-Employee Director Notice of Grant of Deferred Restricted Stock Units* (the “**Grant Notice**”) to which this Restricted Stock Units Agreement (the “**Agreement**”) is attached an Award consisting of Restricted Stock Units (each a “**Unit**”) subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms conditions of the Everi Holdings Inc. 2012 Equity Incentive Plan, as amended to the Date of Grant (the “**Plan**”), the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant : (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the Shares issuable pursuant to the Award (the “**Plan Prospectus**”), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

1. DEFINITIONS AND CONSTRUCTION.

1.1 **Definitions** . Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice, the Plan, or in the Glossary at the end of this Agreement.

1.2 **Construction** . Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. ADMINISTRATION.

All questions of interpretation concerning the Grant Notice, this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee. All such determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the officer has apparent authority with respect to such matter, right, obligation, or election.

3. THE AWARD .

3.1 **Grant of Units.** On the Date of Grant, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of RSUs set forth in the Grant Notice, subject to adjustment as provided in Section 9. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) Share.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or Shares issued upon settlement of the Units, the consideration for which shall be past services actually rendered or future services to be rendered to the Company or any Affiliate or for its benefit. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past services rendered to the Company or any Affiliate or for its benefit having a value not less than the par value of the Shares issued upon settlement of the Units.

4. VESTING OF UNITS .

Units acquired pursuant to this Agreement shall become vested Units as provided in the Grant Notice. For purposes of determining the number of vested Units following an Ownership Change Event, credited Service shall include all Service with any corporation which is an Affiliate at the time the Service is rendered, whether or not such corporation is an Affiliate both before and after the Ownership Change Event.

5. COMPANY REACQUISITION RIGHT .

5.1 **Grant of Company Reacquisition Right.** Except to the extent otherwise provided by the Superseding Agreement, if any, in the event that the Participant ' s Service terminates for any reason or no reason, with or without cause, the Participant shall forfeit and the Company shall automatically reacquire all Units which are not, as of the time of such termination, vested Units ("*Unvested Units*"), and the Participant shall not be entitled to any payment therefor (the "*Company Reacquisition Right*").

5.2 **Ownership Change Event, Non-Cash Dividends, Distributions and Adjustments** . Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in Shares or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 9, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Shares pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is an Affiliate at the time the Service is rendered, whether or not such corporation is an Affiliate both before and after any such event.

6. SETTLEMENT OF THE AWARD .

6.1 Issuance of Shares . Subject to the provisions of Section 6.3, the Company shall issue to the Participant on the Settlement Date with respect to each vested Unit to be settled on such date one (1) Share. The Settlement Date with respect to a Unit shall be the date provided by the Grant Notice; provided, however, that if the Settlement Date would occur on a date on which a sale by the Participant of the shares to be issued in settlement of the vested Units would violate the Trading Compliance Policy of the Company and federal securities laws as defined in Treasury Regulation 1.409A-2(b)(7)(ii) issued pursuant to Section 409A of the Code, the Settlement Date for such vested Units shall be deferred until the next day on which the sale of such shares would not result in such a violation. Shares issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 6.3, Section 7 or the Company's Trading Compliance Policy. The six-month transfer restriction in Section VIII.B. of the Plan shall not apply.

6.2 Beneficial Ownership of Shares; Certificate Registration . The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares acquired by the Participant pursuant to the settlement of the Award with the Company's transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

6.3 Restrictions on Grant of the Award and Issuance of Shares . The grant of the Award and issuance of Shares upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No Shares may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which Shares may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 Fractional Shares . The Company shall not be required to issue fractional shares upon the settlement of the Award.

7. TAX WITHHOLDING .

7.1 In General. At the time the Grant Notice is executed, or at any time thereafter as requested by the Company or any Affiliate, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Company or Affiliate, if any, which arise in connection with the Award, the vesting of Units or the issuance of Shares in settlement thereof. The Company shall have no obligation to deliver Shares until the tax withholding obligations of the Company or any Affiliate have been satisfied by the Participant.

7.2 Assignment of Sale Proceeds. Subject to compliance with applicable law and the Company's Trading Compliance Policy, if permitted by the Company, the Participant may satisfy the Company's or Affiliate's tax withholding obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares being acquired upon settlement of Units.

7.3 Withholding in Shares. The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of the Company's or any Affiliate's tax withholding obligations by deducting from the Shares otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

8. EFFECT OF CHANGE IN CONTROL .

The Award shall be treated as set forth in the Grant Notice upon the occurrence of a Change in Control.

9. ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE .

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in Shares effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Shares (other than regular, periodic cash dividends paid on Shares pursuant to the Company's dividend policy) that has a material effect on the Fair Market Value of Shares, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares or other property to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as

“effected without receipt of consideration by the Company.” Any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Shares pursuant to the Company’s dividend policy) to which the Participant is entitled by reason of ownership of Units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Units originally acquired hereunder. Any fractional Unit or share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

10. **RIGHTS AS A SHAREHOLDER, DIRECTOR, EMPLOYEE OR CONSULTANT.**

The Participant shall have no rights as a stockholder with respect to any Shares which may be issued in settlement of this Award until the date of the issuance of such Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the Shares are issued, except as provided in Section 9. If the Participant is an employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between the Company or Affiliate and the Participant, the Participant’s employment is “at will” and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of the Company or any Affiliate or interfere in any way with any right of the Company or any Affiliate to terminate the Participant’s Service at any time.

11. **LEGENDS.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing Shares issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

12. **COMPLIANCE WITH SECTION 409A.**

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in deferred compensation subject to Section 409A of the Code shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

12.1 Separation from Service; Required Delay in Payment to Specified Employee. Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant’s termination of Service which constitutes a “deferral of compensation” within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the “*Section 409A Regulations*”) shall be paid unless and until the Participant has incurred a “separation from service” within the meaning of the

Section 409A Regulations. Furthermore, to the extent that the Participant is a “specified employee” within the meaning of the Section 409A Regulations as of the date of the Participant’s separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant’s separation from service shall be paid to the Participant before the date (the “**Delayed Payment Date**”) which is first day of the seventh month after the date of the Participant’s separation from service or, if earlier, the date of the Participant’s death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

12.2 Other Changes in Time of Payment. Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

12.3 Amendments to Comply with Section 409A; Indemnification. Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

12.4 Advice of Independent Tax Advisor. The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

13. MISCELLANEOUS PROVISIONS.

13.1 Termination or Amendment. The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Participant’s rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

13.2 Nontransferability of the Award. Prior to the issuance of Shares on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

13.3 Further Instruments. The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

13.4 Binding Effect. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

13.5 Delivery of Documents and Notices. Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by the Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 13.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 13.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a

paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 13.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 13.5(a).

13.6 Integrated Agreement. The Grant Notice, this Agreement and the Plan, together with the Superseding Agreement, if any, shall constitute the entire understanding and agreement of the Participant and the Company (and any Affiliates) with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Company and its Affiliates with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

13.7 Applicable Law. This Agreement shall be governed by the laws of the State of Nevada as such laws are applied to agreements between Nevada residents entered into and to be performed entirely within the State of Nevada.

13.8 Counterparts. The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

GLOSSARY

Change in Control has the definition provided in the Company's Amended and Restated 2014 Equity Incentive Plan, as may be amended from time to time.

Ownership Change Event means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of securities of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

Service means a Participant's employment or service with the Company and Affiliates, whether as an employee, a director or a consultant. Unless otherwise provided by the Committee, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service or a change in the Participating Company for which the Participant renders Service, provided that there is no interruption or termination of the Participant's Service. A Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the business entity for which the Participant performs Service ceasing to be an Affiliate. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of and reason for such termination.

Trading Compliance Policy means the written policy of the Company pertaining to the purchase, sale, transfer or other disposition of the Company's equity securities by directors, officers, employees or other service providers who may possess material, nonpublic information regarding the Company or its securities.

**EVERI HOLDINGS INC.
NON-EMPLOYEE DIRECTOR
NOTICE OF GRANT OF DEFERRED RESTRICTED STOCK UNITS**

Everi Holdings Inc. (the “*Company*”) has granted to the Participant an award of restricted stock units (“*RSUs*”) under the Company’s 2012 Equity Incentive Plan, as amended (as the same may be amended and/or amended and restated from time to time, the “*Plan*”), each of which represents the right to receive one (1) Share on the applicable Settlement Date (the “*Award*”). The Participant is not eligible to make an election to receive other compensation in exchange or in substitution for this Award.

Participant: _____ **Award No.:** _____

Date of Grant : _____, 201__

Total Number of RSUs : _____, subject to adjustment as provided by the Restricted Stock Units Agreement.

Vesting Schedule : Provided that the Participant’s Service has not terminated prior to the applicable date, the number of vested RSUs (disregarding any resulting fractional unit) as of any date is determined by multiplying the Total Number of RSUs by the “*Vested Ratio*” determined as of such date, as follows:

	<u>Vested Ratio</u>
Prior to the first anniversary of the Date of Grant	0
On the first anniversary of the Date of Grant	1/3
On the second anniversary of the Date of Grant	2/3
On the third anniversary of the Date of Grant	3/3

Notwithstanding any other provision contained in this Notice of Grant of Deferred Restricted Stock Units or the Restricted Stock Units Agreement to the contrary, the Total Number of RSUs shall become vested on the date a Change in Control (as defined in the Restricted Stock Units Agreement) is consummated if the Participant’s Service has not terminated prior to such date.

Settlement Date : The Award will be settled, as applicable, on the earliest of the events specified in paragraphs (i)-(iv) below:

- (i) _____, 202__, or
- (ii) The Participant’s death, or
- (iii) The occurrence of a Change in Control (as defined in the Restricted Stock Units Agreement), provided the transaction also constitutes a “change in control event” as defined in Treasury Regulation 1.409A- 3(i)(5)(v) or (vii), or
- (iv) The date that is six (6) months following the Participant’s “separation from service” (as defined in the Income Tax Regulations under Code Section 409A), subject, however, to the Delayed Payment Date provision in the Restricted Stock Units Agreement (if applicable). In general, a “separation from service” will occur when the Participant ceases serving as a member of the Company’s board of directors for any reason not covered by paragraphs (ii) and (iii) above, unless the Participant continues providing consulting services to the Company.

If the event in paragraph (iii) triggers settlement, the Award will be settled immediately prior to the effective time of the transaction that constitutes the Change in Control. Otherwise, the Award will be settled promptly on or after the date of the earliest event specified above, but in any event no later than the end of the calendar year in which such event occurs. At the time of a deferred settlement, one share of the Company's Common Stock will be issued for each vested RSU. However, the Company retains discretion to substitute an equivalent amount of cash for each underlying share, determined on the basis of the Fair Market Value (as defined in the Plan) of the stock at the time an RSU is settled.

Award Unfunded :

The Company has not formally funded the Award and the Participant is considered a general unsecured creditor of the Company with respect to each RSU.

Superseding Agreement

None.

Tax Matters :

The RSUs are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "*Code*"). The Company has attempted in good faith to structure this Award in a manner that conforms to the requirements of Code Section 409A, and any ambiguities herein will be interpreted to so comply with these requirements to the maximum extent permissible. To the extent the IRS challenges whether this Award in fact complies with Code Section 409A, the Participant will be fully responsible for any additional taxes, penalties and/or interest that might apply as a result of any adverse determination resulting from such challenge. Notwithstanding anything to the contrary in the Plan or the Participant's Restricted Stock Units Agreement, the Company may accelerate settlement of the Award (in whole or in part) only in accordance with Code Section 409A. The Participant is encouraged to consult a tax advisor (at the Participant's own expense).

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Notice of Grant of Deferred Restricted Stock Unit and by the provisions of the Restricted Stock Units Agreement and the Plan, both of which are made a part of this document. The Participant acknowledges that copies of the Plan, the Restricted Stock Units Agreement and the prospectus for the Plan are available on the Company's internal web site and may be viewed and printed by the Participant for attachment to the Participant's copy of this Notice of Grant of Deferred Restricted Stock Unit. The Participant represents that the Participant has read and is familiar with the provisions of the Restricted Stock Units Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

EVERI HOLDINGS INC.

PARTICIPANT

By:

Michael D. Rumbolz
Chief Executive Officer

Name: _____

Signature: _____

Date

Address: 7250 S. Tenaya Way, Suite 100
Las Vegas, NV 89113

Address

ATTACHMENTS:

2012 Equity Incentive Plan, as amended to the Date of Grant;
Restricted Stock Units Agreement and Plan Prospectus

**EVERI HOLDINGS INC.
RESTRICTED STOCK UNITS AGREEMENT**

Everi Holdings Inc. has granted to the Participant named in the *Non-Employee Director Notice of Grant of Deferred Restricted Stock Units* (the “**Grant Notice**”) to which this Restricted Stock Units Agreement (the “**Agreement**”) is attached an Award consisting of Restricted Stock Units (each a “**Unit**”) subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms conditions of the Everi Holdings Inc. Amended and Restated 2014 Equity Incentive Plan, as amended to the Date of Grant (the “**Plan**”), the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant : (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Award (the “**Plan Prospectus**”), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

1. DEFINITIONS AND CONSTRUCTION.

1.1 **Definitions** . Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction** . Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. ADMINISTRATION.

All questions of interpretation concerning the Grant Notice, this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee. All such determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

3. THE AWARD .

3.1 **Grant of Units.** On the Date of Grant, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of RSUs set forth in the Grant Notice, subject to adjustment as provided in Section 9. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) share of Stock.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or shares of Stock issued upon settlement of the Units, the consideration for which shall be past services actually rendered or future services to be rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Units.

4. VESTING OF UNITS .

Units acquired pursuant to this Agreement shall become vested Units as provided in the Grant Notice. For purposes of determining the number of vested Units following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event.

5. COMPANY REACQUISITION RIGHT .

5.1 **Grant of Company Reacquisition Right.** Except to the extent otherwise provided by the Superseding Agreement, if any, in the event that the Participant ' s Service terminates for any reason or no reason, with or without cause, the Participant shall forfeit and the Company shall automatically reacquire all Units which are not, as of the time of such termination, vested Units ("*Unvested Units*"), and the Participant shall not be entitled to any payment therefor (the "*Company Reacquisition Right*").

5.2 **Ownership Change Event, Non-Cash Dividends, Distributions and Adjustments** . Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 9, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

6. SETTLEMENT OF THE AWARD .

6.1 Issuance of Shares of Stock . Subject to the provisions of Section 6.3, the Company shall issue to the Participant on the Settlement Date with respect to each vested Unit to be settled on such date one (1) share of Stock. The Settlement Date with respect to a Unit shall be the date provided by the Grant Notice; provided, however, that if the Settlement Date would occur on a date on which a sale by the Participant of the shares to be issued in settlement of the vested Units would violate the Trading Compliance Policy of the Company and federal securities laws as defined in Treasury Regulation 1.409A-2(b)(7)(ii) issued pursuant to Section 409A of the Code, the Settlement Date for such vested Units shall be deferred until the next day on which the sale of such shares would not result in such a violation. Shares of Stock issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 6.3, Section 7 or the Company's Trading Compliance Policy.

6.2 Beneficial Ownership of Shares; Certificate Registration . The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares acquired by the Participant pursuant to the settlement of the Award with the Company's transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

6.3 Restrictions on Grant of the Award and Issuance of Shares . The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 Fractional Shares . The Company shall not be required to issue fractional shares upon the settlement of the Award.

7. TAX WITHHOLDING .

7.1 In General. At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign

tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, the vesting of Units or the issuance of shares of Stock in settlement thereof. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Participating Company have been satisfied by the Participant .

7.2 Assignment of Sale Proceeds. Subject to compliance with applicable law and the Company's Trading Compliance Policy, if permitted by the Company, the Participant may satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares being acquired upon settlement of Units.

7.3 Withholding in Shares. The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

8. EFFECT OF CHANGE IN CONTROL.

The Award shall be treated as set forth in the Grant Notice upon the occurrence of a Change in Control.

9. ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares or other property to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of ownership of Units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Units originally acquired hereunder. Any fractional Unit

or share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

10. **RIGHTS AS A STOCKHOLDER, DIRECTOR, EMPLOYEE OR CONSULTANT.**

The Participant shall have no rights as a stockholder with respect to any shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 9. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

11. **LEGENDS.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

12. **COMPLIANCE WITH SECTION 409A.**

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

12.1 Separation from Service; Required Delay in Payment to Specified Employee. Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh

month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

12.2 Other Changes in Time of Payment. Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

12.3 Amendments to Comply with Section 409A; Indemnification. Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

12.4 Advice of Independent Tax Advisor. The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

13. MISCELLANEOUS PROVISIONS.

13.1 Termination or Amendment. The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

13.2 Nontransferability of the Award. Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

13.3 Further Instruments. The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

13.4 Binding Effect. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

13.5 Delivery of Documents and Notices. Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 13.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 13.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 13.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 13.5(a).

13.6 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with the Superseding Agreement, if any, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

13.7 **Applicable Law.** This Agreement shall be governed by the laws of the State of Nevada as such laws are applied to agreements between Nevada residents entered into and to be performed entirely within the State of Nevada.

13.8 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**EVERI HOLDINGS INC.
NON-EMPLOYEE DIRECTOR
NOTICE OF GRANT OF DEFERRED RESTRICTED STOCK UNITS**

Everi Holdings Inc. (the “*Company*”) has granted to the Participant an award of restricted stock units (“*RSUs*”) under Sections 9 and 15 of the Company’s Amended and Restated 2014 Equity Incentive Plan (as the same may be amended and/or amended and restated from time to time, the “*Plan*”), each of which represents the right to receive one (1) share of Stock on the applicable Settlement Date (the “*Award*”). The Participant is not eligible to make an election to receive other compensation in exchange or in substitution for this Award.

Participant: _____ **Award No.:** _____

Date of Grant : _____, 201__

Total Number of RSUs : _____, subject to adjustment as provided by the Restricted Stock Units Agreement.

Vesting Schedule : Provided that the Participant’s Service has not terminated prior to the applicable date, the number of vested RSUs (disregarding any resulting fractional unit) as of any date is determined by multiplying the Total Number of RSUs by the “*Vested Ratio*” determined as of such date, as follows:

	<u>Vested Ratio</u>
Prior to the first anniversary of the Date of Grant	0
On the first anniversary of the Date of Grant	1/3
On the second anniversary of the Date of Grant	2/3
On the third anniversary of the Date of Grant	3/3

Notwithstanding any other provision contained in this Notice of Grant of Deferred Restricted Stock Units or the Restricted Stock Units Agreement to the contrary, the Total Number of RSUs shall become vested on the date a Change in Control (as defined in the Plan) is consummated if the Participant’s Service has not terminated prior to such date.

Settlement Date : The Award will be settled, as applicable, on the earliest of the events specified in paragraphs (i)-(iv) below:

(i) _____, 202__, or

(ii) The Participant’s death, or

(iii) The occurrence of a Change in Control (as defined in the Plan), provided the transaction also constitutes a “change in control event” as defined in Treasury Regulation 1.409A-3(i)(5)(v) or (vii), or

(iv) The date that is six (6) months following the Participant’s “separation from service” (as defined in the Income Tax Regulations under Code Section 409A). In general, a “separation from service” will occur when the Participant ceases serving as a member of the Company’s board of directors for any reason not covered by paragraphs (ii) and (iii) above, unless the Participant continues providing consulting services to the Company.

If the event in paragraph (iii) triggers settlement, the Award will be settled immediately prior to the effective time of the transaction that constitutes the Change in Control. Otherwise, the Award will be settled promptly on or after the date of the earliest event specified above, but in any event no later than the end of the calendar year in which such event occurs. At the time of a deferred settlement, one share of the Company's Common Stock will be issued for each vested RSU. However, the Company retains discretion to substitute an equivalent amount of cash for each underlying share, determined on the basis of the Fair Market Value (as defined in the Plan) of the stock at the time an RSU is settled.

Award Unfunded :

The Company has not formally funded the Award and the Participant is considered a general unsecured creditor of the Company with respect to each RSU.

Superseding Agreement

None.

Tax Matters :

The RSUs are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "*Code*"). The Company has attempted in good faith to structure this Award in a manner that conforms to the requirements of Code Section 409A, and any ambiguities herein will be interpreted to so comply with these requirements to the maximum extent permissible. To the extent the IRS challenges whether this Award in fact complies with Code Section 409A, the Participant will be fully responsible for any additional taxes, penalties and/or interest that might apply as a result of any adverse determination resulting from such challenge. Notwithstanding anything to the contrary in the Plan or the Participant's Restricted Stock Units Award Agreement, the Company may accelerate settlement of the Award (in whole or in part) only in accordance with Section 409A. The Participant is encouraged to consult a tax advisor (at the Participant's own expense).

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Notice of Grant of Deferred Restricted Stock Unit and by the provisions of the Restricted Stock Units Agreement and the Plan, both of which are made a part of this document. The Participant acknowledges that copies of the Plan, the Restricted Stock Units Agreement and the prospectus for the Plan are available on the Company's internal web site and may be viewed and printed by the Participant for attachment to the Participant's copy of this Notice of Grant of Deferred Restricted Stock Unit. The Participant represents that the Participant has read and is familiar with the provisions of the Restricted Stock Units Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

EVERI HOLDINGS INC.

PARTICIPANT

By: _____
Michael D. Rumbolz
Chief Executive Officer

Name: _____
Signature: _____

Address: 7250 S. Tenaya Way, Suite 100
Las Vegas, NV 89113

Date

Address

ATTACHMENTS:

Amended and Restated 2014 Equity Incentive Plan, as amended to the Date of Grant;
Restricted Stock Units Agreement and Plan Prospectus

EVERI HOLDINGS INC.
RESTRICTED STOCK UNITS AGREEMENT
(For U.S. Participants)

Everi Holdings Inc. has granted to the Participant named in the *Notice of Grant of Restricted Stock Units* (the “ **Grant Notice** ”) to which this Restricted Stock Units Agreement (the “ **Agreement** ”) is attached an Award consisting of Restricted Stock Units (each a “ **Unit** ”) subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms conditions of the Everi Holdings Inc. 2014 Equity Incentive Plan (the “ **Plan** ”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant : (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Award (the “ **Plan Prospectus** ”) , (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

1. DEFINITIONS AND CONSTRUCTION.

1.1 Definitions . Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 Construction . Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. ADMINISTRATION.

All questions of interpretation concerning the Grant Notice, this Agreement, the Plan or any other form of agreement or other document employed by the Company in the administration of the Plan or the Award shall be determined by the Committee. All such determinations by the Committee shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

3. THE AWARD .

3.1 **Grant of Units.** On the Date of Grant, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of Units set forth in the Grant Notice, subject to adjustment as provided in Section 9. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) share of Stock.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or shares of Stock issued upon settlement of the Units, the consideration for which shall be past services actually rendered or future services to be rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Units.

4. VESTING OF UNITS .

Units acquired pursuant to this Agreement shall become Vested Units as provided in the Grant Notice. For purposes of determining the number of Vested Units following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event.

5. COMPANY REACQUISITION RIGHT .

5.1 **Grant of Company Reacquisition Right.** Except to the extent otherwise provided by the Superseding Agreement, if any, in the event that the Participant ' s Service terminates for any reason or no reason, with or without cause, the Participant shall forfeit and the Company shall automatically reacquire all Units which are not, as of the time of such termination, Vested Units ("*Unvested Units*") , and the Participant shall not be entitled to any payment therefor (the "*Company Reacquisition Right*").

5.2 **Ownership Change Event, Non-Cash Dividends, Distributions and Adjustments** . Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 9, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

6. SETTLEMENT OF THE AWARD .

6.1 Issuance of Shares of Stock . Subject to the provisions of Section 6.3, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Unit to be settled on such date one (1) share of Stock. The Settlement Date with respect to a Unit shall be the date on which such Unit becomes a Vested Unit as provided by the Grant Notice (an “ *Original Settlement Date* ”); provided, however, that if the Original Settlement Date would occur on a date on which a sale by the Participant of the shares to be issued in settlement of the Vested Units would violate the Trading Compliance Policy of the Company, the Settlement Date for such Vested Units shall be deferred until the next day on which the sale of such shares would not violate the Trading Compliance Policy, but in any event on or before the 15th day of the third calendar month following calendar year of the Original Settlement Date. Shares of Stock issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 6.3, Section 7 or the Company’s Trading Compliance Policy.

6.2 Beneficial Ownership of Shares; Certificate Registration . The Participant hereby authorizes the Company, in its sole discretion, to deposit any or all shares acquired by the Participant pursuant to the settlement of the Award with the Company’s transfer agent, including any successor transfer agent, to be held in book entry form, or to deposit such shares for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice. Except as provided by the foregoing, a certificate for the shares acquired by the Participant shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

6.3 Restrictions on Grant of the Award and Issuance of Shares . The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company’s legal counsel to be necessary to the lawful issuance of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 Fractional Shares . The Company shall not be required to issue fractional shares upon the settlement of the Award.

7. TAX WITHHOLDING .

7.1 In General. At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes

withholding from payroll and any other amounts payable to the Participant , and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, the vesting of Units or the issuance of shares of Stock in settlement thereof. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Participating Company have been satisfied by the Participant .

7.2 Assignment of Sale Proceeds. Subject to compliance with applicable law and the Company's Trading Compliance Policy, if permitted by the Company, the Participant may satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares being acquired upon settlement of Units.

7.3 Withholding in Shares. The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations by deducting from the shares of Stock otherwise deliverable to the Participant in settlement of the Award a number of whole shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

8. EFFECT OF CHANGE IN CONTROL.

In the event of a Change in Control, except to the extent that the Committee determines to cash out the Award in accordance with Section 13.1(c) of the Plan, the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the "*Acquiror*"), may, without the consent of the Participant, assume or continue in full force and effect the Company's rights and obligations under all or any portion of the outstanding Units or substitute for all or any portion of the outstanding Units substantially equivalent rights with respect to the Acquiror's stock. For purposes of this Section, a Unit shall be deemed assumed if, following the Change in Control, the Unit confers the right to receive, subject to the terms and conditions of the Plan and this Agreement, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock) ; provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon settlement of the Unit to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. The Award shall terminate and cease to be outstanding effective as of the time of consummation or the Change in Control to the extent that Units subject to the Award are neither assumed or continued by the Acquiror in connection with the Change in Control nor settled as of the time of the Change in Control.

9. ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE .

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares or other property to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of ownership of Units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Units originally acquired hereunder. Any fractional Unit or share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

10. RIGHTS AS A STOCKHOLDER, DIRECTOR, EMPLOYEE OR CONSULTANT .

The Participant shall have no rights as a stockholder with respect to any shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 9. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

11. LEGENDS .

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

12. COMPLIANCE WITH SECTION 409A.

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

12.1 Separation from Service; Required Delay in Payment to Specified Employee. Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

12.2 Other Changes in Time of Payment. Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with the Section 409A Regulations.

12.3 Amendments to Comply with Section 409A; Indemnification. Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

12.4 Advice of Independent Tax Advisor. The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

13. MISCELLANEOUS PROVISIONS .

13.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A . No amendment or addition to this Agreement shall be effective unless in writing.

13.2 **Nontransferability of the Award.** Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

13.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

13.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

13.5 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 13.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice, as described in Section 13.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 13.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 13.5(a).

13.6 Integrated Agreement. The Grant Notice, this Agreement and the Plan, together with the Superseding Agreement, if any, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

13.7 Applicable Law. This Agreement shall be governed by the laws of the State of Nevada as such laws are applied to agreements between Nevada residents entered into and to be performed entirely within the State of Nevada.

13.8 Counterparts. The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

EVERI HOLDINGS INC.
NOTICE OF GRANT OF RESTRICTED STOCK UNITS
(Performance-Based)

Everi Holdings Inc. (the “*Company*”) has granted to the Participant an award (the “*Award*”) of certain units pursuant to the Everi Holdings Inc. 2014 Equity Incentive Plan (the “*Plan*”), each of which represents the right to receive on the applicable Settlement Date one (1) share of Stock, as follows:

Participant: _____ **Award Number:** _____

Date of Grant: _____

Total Number of Units: _____, subject to adjustment as provided by the Restricted Stock Units Agreement.

Vesting Start Date: _____

Vested Units: Except as provided in the Restricted Stock Units Agreement and provided that the Participant’s Service has not terminated prior to the end of the Performance Period, the number of Units that will be earned and become eligible to become Vested Units (disregarding any resulting fractional Unit) shall be based on the achievement of the performance metrics described on Exhibit A attached hereto. For the avoidance of doubt, 50% of the Total Number of Units may be earned and become eligible to become Vested Units based on the Revenue Growth Rate metric and 50% of the Total Number of Units may be earned and become eligible to become Vested Units based on the Adjusted EBITDA Growth Rate metric (each as defined in Exhibit A), with achievement of each metric to be determined independently of one another.

At a meeting of the Committee occurring after the Committee has received the Company’s audited financial statements for the fiscal year ending with the end of the Performance Period, the Committee shall determine and certify in writing the level of achievement of the performance metrics described on Exhibit A and the resulting number of Units that have been earned and become eligible to become Vested Units.

Subject to the acceleration of vesting as provided below under “Termination of Service” and “Change in Control,” the number of Units earned as determined pursuant to Exhibit A and certified by the Committee will vest and become Vested Units on the third anniversary of the Vesting Start Date (the “*Final Vesting Date*”), subject to the Participant’s continued Service with the Company through such Final Vesting Date.

Settlement Date: Shares shall be settled and delivered (provided that such delivery is otherwise in accordance with federal and state securities laws) with respect to Vested Units as soon as practicable following the date on which a Unit becomes a Vested Unit.

Termination of Service – Death or Disability: Upon the death or Disability of the Participant prior to the Final Vesting Date, the number of Units that will be earned and become eligible to become Vested Units (disregarding any resulting fractional Unit) shall be determined as provided above based on the actual achievement of the performance metrics through the end of the Performance Period (and without regard to the Participant’s failure to serve for the entire Performance Period or to serve through the Final Vesting Date). The Award shall be settled on the Final Vesting Date as provided above.

**Termination of Service –
Other than Death
or Disability**

Termination without Cause during Performance Period : If the Participant’s Service is terminated during the Performance Period by the Company without Cause, then the number of Units that will be earned and become eligible to become Vested Units (disregarding any resulting fractional Unit) shall be determined as provided above, based on actual achievement of the performance metrics through the end of the Performance Period, with the result prorated based on the ratio of (i) the number of days that have elapsed from the beginning of the Performance Period through the date the Participant ceases to be an employee of the Company, to (ii) the total number of days in the Performance Period. The Award shall be settled on the Final Vesting Date as provided above. If the Participant’s Service is terminated during the Performance Period for any other reason, then the Award shall be immediately forfeited and no Units shall be earned or become eligible to become Vested Units.

Termination without Cause following Performance Period : If the Participant’s Service is terminated following the end of the Performance Period and prior to the Final Vesting Date by the Company without Cause, then the number of Units that will be earned and become eligible to become Vested Units (disregarding any resulting fractional Unit) shall be determined as provided above, based on actual achievement of the performance metrics through the end of the Performance Period (and without regard to the Participant’s failure to serve through the Final Vesting Date). The Award shall be settled on the Final Vesting Date as provided above. If the Participant’s Service is terminated following the end of the Performance Period and prior to the Final Vesting Date for any other reason, then the Award shall be immediately forfeited and no Units shall be earned or become eligible to become Vested Units.

Change in Control:

Change in Control during Performance Period : Upon the occurrence of a Change in Control during the Performance Period, if (i) the Award is not assumed, continued, or substituted by the Acquiror as described in Section 13.1(b) of the Plan, or (ii) the Award is assumed, continued, or substituted by the Acquiror as described in Section 13.1(b) of the Plan and the Participant’s Service terminates as a result of Involuntary Termination (as defined in Section 13.1(a) of the Plan) within twenty four (24) months thereafter, then vesting shall accelerate and the number of Units that will be earned and immediately become Vested Units (disregarding any resulting fractional Unit) shall be determined based on the greater of (A) the assumed achievement of the performance metrics set forth in Exhibit A at 100% of Target with the result prorated based on the ratio of (1) the number of days that have elapsed from the beginning of the Performance Period through the date of the Change in Control or the Involuntary Termination, as applicable, to (2) the total number of days in the Performance Period, or (b) the actual achievement of the performance metrics set forth in Exhibit A through the date of the Change in Control or the Involuntary Termination, as applicable.

Change in Control following Performance Period : Upon the occurrence of a Change in Control following the end of the Performance Period and prior to the Final Vesting Date, then vesting shall accelerate and the number of Units that will be earned and immediately become Vested Units (disregarding any resulting fractional Unit) shall be determined as provided above, based on actual achievement of the performance metrics through the end of the Performance Period (and without regard to the Participant’s failure to serve through the Final Vesting Date).

Superseding Agreement:

None.

Interference with Business:

Participant acknowledges that because of Participant's position in the Company, Participant will have access to the Company's and its affiliates' new and additional Proprietary Information (as defined below), including confidential information and trade secrets. Subject to clause 1(a) and 1(d) of the Participant's Employee Proprietary Information and Inventions Agreement ("EPIIA"), Participant agrees that during Participant's Service and for a period of 12 months after termination of Participant's Service, Participant shall not directly or indirectly, either for Participant or for any other individual, corporation, partnership, joint venture or other entity, participate in any business (including, without limitation, any division, group, or franchise of a larger organization) anywhere in the world that engages in or that proposes to engage in any business in which the Company or any affiliate of the Company is engaged or proposes to engage in during the term of Participant's Service. Subject to clause 1(a) and 1(d) of the EPIIA, Participant also agrees during Participant's Service and for a period of 12 months after termination of Participant's Service, Participant shall not directly or indirectly, either for Participant or for any other individual, corporation, partnership, joint venture or other entity, (i) divert or attempt to divert from the Company or any affiliate of the Company any business of any kind, including without limitation the solicitation of or interference with any of its customers, clients, business partners or suppliers, or (ii) solicit, induce, recruit or encourage any person employed by the Company or any affiliate of the Company to terminate his or her employment. For purposes of the foregoing, the term "participate in" shall include, without limitation, having any direct or indirect interest in any corporation, partnership, joint venture or other entity, whether as a sole proprietor, owner, stockholder, partner, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any individual, corporation, partnership, joint venture and other business entity (whether as a director, officer, manager, supervisor, employee, agent, consultant or otherwise).

"**Proprietary Information**" means all information and any idea in whatever form, tangible or intangible, whether disclosed to or learned or developed by Participant, pertaining in any manner to the business of the Company or to the Company's affiliates, consultants, or business associates, unless: (i) the information is or becomes publicly known through lawful means; (ii) the information was rightfully in Participant's possession or part of Participant's general knowledge prior to Participant's employment by the Company; or (iii) the information is disclosed to Participant without confidential or proprietary restrictions by a third party who rightfully possesses the information (without confidential or proprietary restrictions) and did not learn of it, directly or indirectly, from the Company. Participant further understands that the Company considers the following information to be included, without limitation, in the definition of Proprietary Information: (A) schematics, techniques, employee suggestions, development tools and processes, computer printouts, computer programs, design drawings and manuals, electronic codes, formulas and improvements; (B) information about costs, profits, markets, sales, customers, prospective customers, customer contracts (including without limitation the terms and conditions of such customer contracts) and bids; (C) plans for business, marketing, future development and new product concepts; (D) customer lists, and distributor and representative lists; (E) all documents, books, papers, drawings, models, sketches, and other data of any kind and description, including electronic data recorded or retrieved by any means, that have been or will be given to the Participant by the Company (or any affiliate of it), as well as written or verbal instructions or comments; (F) any information or material not described in (A)-(E) above which relate to the Company's inventions, technological developments, "know how", purchasing, accounts, merchandising, or licensing; (G) employee personnel files and information about employee compensation and benefits; and (H) any information of the type described in (A)-(G) above which the Company has a legal obligation to treat as confidential, or which the Company treats as proprietary or designates as confidential, whether or not owned or developed by the Company.

Participant acknowledges that Participant's fulfillment of the obligations contained in the section, including, but not limited to, Participant's obligation not to interfere with the Company's business as provided above, is necessary to protect the Proprietary Information and, consequently, to preserve the value and goodwill of the Company. Participant further acknowledges the time, geographic and scope limitations of Participant's obligations as described above are reasonable, especially in light of the Company's desire to protect its Proprietary Information, and that Participant will not be precluded from gainful employment if Participant is obligated not to compete with the Company during the specified period and within the specified geography.

The covenants contained herein shall be construed as a series of separate covenants, one for each state, province, country and other political subdivision. Except for geographic coverage, each such separate covenant shall be deemed identical in terms of the covenant contained herein. In the event that the scope, territory or period of time of any separate covenant is determined to be unenforceable by a court of competent jurisdiction, the court, if allowed under applicable law, shall reduce the scope, territory or period of time of that separate covenant to a level that the court deems enforceable and the remaining separate covenants, as well as all other terms and covenants in this Grant Notice, shall be valid and be enforceable to the fullest extent permitted by law. In the event that any separate covenant is found to be unenforceable in its entirety, the court, if allowed under applicable law, shall eliminate such covenant from this Grant Notice in that case and the remaining separate covenants, as well as all other terms and covenants in this Grant Notice, shall be valid and be enforceable to the fullest extent permitted by law. The covenants set forth herein are intended to be enforced to the maximum degree permitted by law.

[SIGNATURE PAGE TO FOLLOW]

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Grant Notice and by the provisions of the Restricted Stock Units Agreement and the Plan, both of which are made a part of this document. The Participant acknowledges that copies of the Plan, the Restricted Stock Units Agreement and the prospectus for the Plan are available on the Company's internal web site and may be viewed and printed by the Participant for attachment to the Participant's copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Restricted Stock Units Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

EVERI HOLDINGS INC.

PARTICIPANT

By: _____
[officer name]
[officer title]

Signature

Address:

Date

Address

ATTACHMENTS: 2014 Equity Incentive Plan, as amended to the Date of Grant; Restricted Stock Units Agreement and Plan Prospectus

EXHIBIT A

[PERFORMANCE-BASED VESTING CRITERIA – METRIC 1]

1. The number of Units earned and eligible to become Vested Units will be determined, based on the extent to which the Revenue Growth Rate metrics described below have been achieved, as measured over the period beginning on the Vesting Start Date and ending on _____ (the “*Performance Period*”).
2. For purposes of this agreement, “*Revenue*” means the total consolidated revenues of the Company determined in accordance with GAAP and as reported in the Company’s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, for the corresponding fiscal year, as may be adjusted in accordance with this Exhibit or the Plan.
3. For purposes of this agreement, “*Revenue Growth Rate*” means the compounded annual growth rate, expressed as a percentage (rounded to the nearest tenth of a percent), of the Company’s Revenue during the Performance Period, as determined at the end of the Performance Period.
4. Based on the Revenue Growth Rate of the Company over the Performance Period, the number of Units that will be earned and become eligible to become Vested Units will be equal to the product of (a) Total Number of Units, multiplied by (b) 0.5, and multiplied by (c) the percentage determined below:

		<u>Vested %</u>
Below Threshold	Revenue Growth Rate of less than ___%	0%
Threshold	Revenue Growth Rate of ___%	50%
Target	Revenue Growth Rate of ___%	100%
Maximum	Revenue Growth Rate of ___%	200%

Provided the Revenue Growth Rate equals or exceeds the Threshold rate, the actual number of Units that will be earned and become eligible to become Vested Units based on the Revenue Growth Rate metric will be determined using straight-line interpolation between points of Revenue Growth Rate.

5. All calculations with respect to Revenue and the Revenue Growth Rate shall be made by the Committee (or its designee) in the Committee’s sole discretion, and such calculations and resulting determinations shall be final and binding. Without limiting the foregoing, the calculation of Revenue and Revenue Growth Rate shall exclude the effect (whether positive or negative) of any change in accounting standards or any unusual or infrequently occurring event or transaction, as determined by the Committee, including mergers, acquisitions, divestitures or natural disasters, in each case occurring after the date of this Agreement, with each such adjustment, if any, made solely for the purpose of providing a consistent basis from period to period for the calculation of Revenue and Revenue Growth Rate in order to prevent the dilution or enlargement of the Participant’s rights with respect to the Award.

EXHIBIT A

[PERFORMANCE-BASED VESTING CRITERIA – METRIC 2]

1. The number of Units earned and eligible to become Vested Units will be determined, based on the extent to which the Adjusted EBITDA Growth Rate metrics described below have been achieved, as measured over the period beginning on the Vesting Start Date and ending on _____ (the “ *Performance Period* ”).
2. For purposes of this agreement, “ *Adjusted EBITDA* ” means the Company’s “Adjusted EBITDA” as reported in the Company’s annual earnings release filed as an exhibit to the Company’s Current Report on Form 8-K, as filed with the Securities and Exchange Commission, for the corresponding fiscal year, as may be adjusted in accordance with this Exhibit or the Plan.
3. For purposes of this agreement, “ *Adjusted EBITDA Growth Rate* ” means the compounded annual growth rate, expressed as a percentage (rounded to the nearest tenth of a percent), of the Company’s Adjusted EBITDA during the Performance Period, as determined at the end of the Performance Period.
4. Based on the Adjusted EBITDA Growth Rate of the Company over the Performance Period, the number of Units that will be earned and become eligible to become Vested Units will be equal to the product of (a) the Total Number of Units, multiplied by (b) 0.5, and multiplied by (c) the percentage determined below:

		<u>Vested %</u>
Below Threshold	Adjusted EBITDA Growth Rate of less than ___%	0%
Threshold	Adjusted EBITDA Growth Rate of ___%	50%
Target	Adjusted EBITDA Growth Rate of ___%	100%
Maximum	Adjusted EBITDA Growth Rate of ___%	200%

Provided the Adjusted EBITDA Growth Rate equals or exceeds the Threshold rate, the actual number of Units that will be earned and become eligible to become Vested Units based on the Adjusted EBITDA Growth Rate metric will be determined using straight-line interpolation between points of Adjusted EBITDA Growth Rate.

5. All calculations with respect to the Adjusted EBITDA Growth Rate shall be made by the Committee (or its designee) in the Committee’s sole discretion, and such calculations and resulting determinations shall be final and binding. Without limiting the foregoing, the calculation of Adjusted EBITDA and Adjusted EBITDA Growth Rate shall exclude the effect (whether positive or negative) of any change in accounting standards or any unusual or infrequently occurring event or transaction, as determined by the Committee, including mergers, acquisitions, divestitures or natural disasters, in each case occurring after the date of this Agreement, with each such adjustment, if any, made solely for the purpose of providing a consistent basis from period to period for the calculation of Adjusted EBITDA and Adjusted EBITDA Growth Rate in order to prevent the dilution or enlargement of the Participant’s rights with respect to the Award.

**EVERI HOLDINGS INC.
NOTICE OF GRANT OF RESTRICTED STOCK UNITS
(Time-Based)**

Everi Holdings Inc. (the “*Company*”) has granted to the Participant an award (the “*Award*”) of certain units pursuant to the Everi Holdings Inc. 2014 Equity Incentive Plan (the “*Plan*”), each of which represents the right to receive on the applicable Settlement Date one (1) share of Stock, as follows:

Participant: _____ **Award Number:** _____

Date of Grant: _____

Total Number of Units: _____, subject to adjustment as provided by the Restricted Stock Units Agreement.

Vesting Start Date: _____

Vested Units: Subject to the acceleration of vesting as provided below under “Termination of Service” and “Change in Control,” except as provided in the Restricted Stock Units Agreement and provided that the Participant’s Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the “*Vested Ratio*” determined as of such date, as follows:

Vested Ratio

Prior to the one (1)-year anniversary of the Vesting Start Date 0

Each one (1)-year anniversary of the Vesting Start Date 1/4

Settlement Date: Shares shall be settled and delivered (provided that such delivery is otherwise in accordance with federal and state securities laws) with respect to Vested Units as soon as practicable following the date on which a Unit becomes a Vested Unit.

Termination of Service – Death or Disability: Upon the death or Disability of the Participant, vesting shall fully accelerate and the Vested Ratio shall be 1/1 (100%).

Termination of Service – Other than Death or Disability If the Participant’s Service is terminated for any reason other than death or Disability, all Units that are not Vested Units shall be immediately forfeited.

Change in Control: Upon the occurrence of a Change in Control prior to the fourth anniversary of the Vesting Start Date, if (i) the Award is not assumed, continued, or substituted by the Acquiror as described in Section 13.1(b) of the Plan, or (ii) the Award is assumed, continued, or substituted by the Acquiror as described in Section 13.1(b) of the Plan and the Participant’s Service terminates as a result of Involuntary Termination (as defined in Section 13.1(a) of the Plan) within twenty four (24) months thereafter, then vesting shall fully accelerate and the Vested Ratio shall be 1/1 (100%).

Superseding Agreement: None.

Interference with Business:

Participant acknowledges that because of Participant's position in the Company, Participant will have access to the Company's and its affiliates' new and additional Proprietary Information (as defined below), including confidential information and trade secrets. Subject to clause 1(a) and 1(d) of the Participant's Employee Proprietary Information and Inventions Agreement ("EPIIA"), Participant agrees that during Participant's Service and for a period of 6 months after termination of Participant's Service, Participant shall not directly or indirectly, either for Participant or for any other individual, corporation, partnership, joint venture or other entity, (i) divert or attempt to divert from the Company or any affiliate of the Company any business of any kind, including without limitation the solicitation of or interference with any of its customers, clients, business partners or suppliers, or (ii) solicit, induce, recruit or encourage any person employed by the Company or any affiliate of the Company during the six (6) months prior to Participant's last day of Service to terminate his or her employment. For purposes of the foregoing, the term "participate in" shall include, without limitation, having any direct or indirect interest in any corporation, partnership, joint venture or other entity, whether as a sole proprietor, owner, stockholder, partner, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any individual, corporation, partnership, joint venture and other business entity (whether as a director, officer, manager, supervisor, employee, agent, consultant or otherwise).

"**Proprietary Information**" means all information and any idea in whatever form, tangible or intangible, whether disclosed to or learned or developed by Participant, pertaining in any manner to the business of the Company or to the Company's affiliates, consultants, or business associates, unless: (i) the information is or becomes publicly known through lawful means; (ii) the information was rightfully in Participant's possession or part of Participant's general knowledge prior to Participant's employment by the Company; or (iii) the information is disclosed to Participant without confidential or proprietary restrictions by a third party who rightfully possesses the information (without confidential or proprietary restrictions) and did not learn of it, directly or indirectly, from the Company. Participant further understands that the Company considers the following information to be included, without limitation, in the definition of Proprietary Information: (A) schematics, techniques, employee suggestions, development tools and processes, computer printouts, computer programs, design drawings and manuals, electronic codes, formulas and improvements; (B) information about costs, profits, markets, sales, customers, prospective customers, customer contracts (including without limitation the terms and conditions of such customer contracts) and bids; (C) plans for business, marketing, future development and new product concepts; (D) customer lists, and distributor and representative lists; (E) all documents, books, papers, drawings, models, sketches, and other data of any kind and description, including electronic data recorded or retrieved by any means, that have been or will be given to the Participant by the Company (or any affiliate of it), as well as written or verbal instructions or comments; (F) any information or material not described in (A)-(E) above which relate to the Company's inventions, technological developments, "know how", purchasing, accounts, merchandising, or licensing; (G) employee personnel files and information about employee compensation and benefits; and (H) any information of the type described in (A)-(G) above which the Company has a legal obligation to treat as confidential, or which the Company treats as proprietary or designates as confidential, whether or not owned or developed by the Company.

Participant acknowledges that Participant's fulfillment of the obligations contained in the section, including, but not limited to, Participant's obligation not to interfere with the Company's business as provided above, is necessary to protect the Proprietary Information and, consequently, to preserve the value and goodwill of the Company. Participant further acknowledges the time, geographic and scope limitations of Participant's obligations as described above are reasonable, especially in light of the Company's desire to protect its Proprietary Information, and that Participant will not be precluded from gainful employment if Participant is obligated not to compete with the Company during the specified period and within the specified geography.

The covenants contained herein shall be construed as a series of separate covenants, one for each state, province, country and other political subdivision. Except for geographic coverage, each such separate covenant shall be deemed identical in terms of the covenant contained herein. In the event that the scope, territory or period of time of any separate covenant is determined to be unenforceable by a court of competent jurisdiction, the court, if allowed under applicable law, shall reduce the scope, territory or period of time of that separate covenant to a level that the court deems enforceable and the remaining separate covenants, as well as all other terms and covenants in this Grant Notice, shall be valid and be enforceable to the fullest extent permitted by law. In the event that any separate covenant is found to be unenforceable in its entirety, the court, if allowed under applicable law, shall eliminate such covenant from this Grant Notice in that case and the remaining separate covenants, as well as all other terms and covenants in this Grant Notice, shall be valid and be enforceable to the fullest extent permitted by law. The covenants set forth herein are intended to be enforced to the maximum degree permitted by law.

[SIGNATURE PAGE TO FOLLOW]

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Grant Notice and by the provisions of the Restricted Stock Units Agreement and the Plan, both of which are made a part of this document. The Participant acknowledges that copies of the Plan, the Restricted Stock Units Agreement and the prospectus for the Plan are available on the Company's internal web site and may be viewed and printed by the Participant for attachment to the Participant's copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Restricted Stock Units Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

EVERI HOLDINGS INC.

PARTICIPANT

By: _____
[officer name]
[officer title]

Signature

Date

Address

Address:

ATTACHMENTS: 2014 Equity Incentive Plan, as amended to the Date of Grant; Restricted Stock Units Agreement and Plan Prospectus

**EVERI HOLDINGS INC.
NOTICE OF GRANT OF RESTRICTED STOCK UNITS
(Time-Based)**

Everi Holdings Inc. (the “*Company*”) has granted to the Participant an award (the “*Award*”) of certain units pursuant to the Everi Holdings Inc. 2014 Equity Incentive Plan (the “*Plan*”), each of which represents the right to receive on the applicable Settlement Date one (1) share of Stock, as follows:

Participant: _____ **Award Number:** _____

Date of Grant: _____

Total Number of Units: _____, subject to adjustment as provided by the Restricted Stock Units Agreement.

Vesting Start Date: _____

Vested Units: Subject to the acceleration of vesting as provided below under “Termination of Service” and “Change in Control,” except as provided in the Restricted Stock Units Agreement and provided that the Participant’s Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the “*Vested Ratio*” determined as of such date, as follows:

Vested Ratio

Prior to the one (1)-year anniversary of the Vesting Start Date 0

Each one (1)-year anniversary of the Vesting Start Date 1/4

Settlement Date: Shares shall be settled and delivered (provided that such delivery is otherwise in accordance with federal and state securities laws) with respect to Vested Units as soon as practicable following the date on which a Unit becomes a Vested Unit.

Termination of Service – Death or Disability: Upon the death or Disability of the Participant, vesting shall fully accelerate and the Vested Ratio shall be 1/1 (100%).

Termination of Service – Other than Death or Disability If the Participant’s Service is terminated for any reason other than death or Disability, all Units that are not Vested Units shall be immediately forfeited.

Change in Control: Upon the occurrence of a Change in Control prior to the fourth anniversary of the Vesting Start Date, if (i) the Award is not assumed, continued, or substituted by the Acquiror as described in Section 13.1(b) of the Plan, or (ii) the Award is assumed, continued, or substituted by the Acquiror as described in Section 13.1(b) of the Plan and the Participant’s Service terminates as a result of Involuntary Termination (as defined in Section 13.1(a) of the Plan) within twenty four (24) months thereafter, then vesting shall fully accelerate and the Vested Ratio shall be 1/1 (100%).

Superseding Agreement: None.

Interference with Business:

Participant acknowledges that because of Participant's position in the Company, Participant will have access to the Company's and its affiliates' new and additional Proprietary Information (as defined below), including confidential information and trade secrets. Subject to clause 1(a) and 1(d) of the Participant's Employee Proprietary Information and Inventions Agreement ("EPIIA"), Participant agrees that during Participant's Service and for a period of 12 months after termination of Participant's Service, Participant shall not directly or indirectly, either for Participant or for any other individual, corporation, partnership, joint venture or other entity, participate in any business (including, without limitation, any division, group, or franchise of a larger organization) anywhere in the world that engages in or that proposes to engage in any business in which the Company or any affiliate of the Company is engaged or proposes to engage in during the term of Participant's Service. Subject to clause 1(a) and 1(d) of the EPIIA, Participant also agrees during Participant's Service and for a period of 12 months after termination of Participant's Service, Participant shall not directly or indirectly, either for Participant or for any other individual, corporation, partnership, joint venture or other entity, (i) divert or attempt to divert from the Company or any affiliate of the Company any business of any kind, including without limitation the solicitation of or interference with any of its customers, clients, business partners or suppliers, or (ii) solicit, induce, recruit or encourage any person employed by the Company or any affiliate of the Company to terminate his or her employment. For purposes of the foregoing, the term "participate in" shall include, without limitation, having any direct or indirect interest in any corporation, partnership, joint venture or other entity, whether as a sole proprietor, owner, stockholder, partner, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any individual, corporation, partnership, joint venture and other business entity (whether as a director, officer, manager, supervisor, employee, agent, consultant or otherwise).

"**Proprietary Information**" means all information and any idea in whatever form, tangible or intangible, whether disclosed to or learned or developed by Participant, pertaining in any manner to the business of the Company or to the Company's affiliates, consultants, or business associates, unless: (i) the information is or becomes publicly known through lawful means; (ii) the information was rightfully in Participant's possession or part of Participant's general knowledge prior to Participant's employment by the Company; or (iii) the information is disclosed to Participant without confidential or proprietary restrictions by a third party who rightfully possesses the information (without confidential or proprietary restrictions) and did not learn of it, directly or indirectly, from the Company. Participant further understands that the Company considers the following information to be included, without limitation, in the definition of Proprietary Information: (A) schematics, techniques, employee suggestions, development tools and processes, computer printouts, computer programs, design drawings and manuals, electronic codes, formulas and improvements; (B) information about costs, profits, markets, sales, customers, prospective customers, customer contracts (including without limitation the terms and conditions of such customer contracts) and bids; (C) plans for business, marketing, future development and new product concepts; (D) customer lists, and distributor and representative lists; (E) all documents, books, papers, drawings, models, sketches, and other data of any kind and description, including electronic data recorded or retrieved by any means, that have been or will be given to the Participant by the Company (or any affiliate of it), as well as written or verbal instructions or comments; (F) any information or material not described in (A)-(E) above which relate to the Company's inventions, technological developments, "know how", purchasing, accounts, merchandising, or licensing; (G) employee personnel files and information about employee compensation and benefits; and (H) any information of the type described in (A)-(G) above which the Company has a legal obligation to treat as confidential, or which the Company treats as proprietary or designates as confidential, whether or not owned or developed by the Company.

Participant acknowledges that Participant's fulfillment of the obligations contained in the section, including, but not limited to, Participant's obligation not to interfere with the Company's business as provided above, is necessary to protect the Proprietary Information and, consequently, to preserve the value and goodwill of the Company. Participant further acknowledges the time, geographic and scope limitations of Participant's obligations as described above are reasonable, especially in light of the Company's desire to protect its Proprietary Information, and that Participant will not be precluded from gainful employment if Participant is obligated not to compete with the Company during the specified period and within the specified geography.

The covenants contained herein shall be construed as a series of separate covenants, one for each state, province, country and other political subdivision. Except for geographic coverage, each such separate covenant shall be deemed identical in terms of the covenant contained herein. In the event that the scope, territory or period of time of any separate covenant is determined to be unenforceable by a court of competent jurisdiction, the court, if allowed under applicable law, shall reduce the scope, territory or period of time of that separate covenant to a level that the court deems enforceable and the remaining separate covenants, as well as all other terms and covenants in this Grant Notice, shall be valid and be enforceable to the fullest extent permitted by law. In the event that any separate covenant is found to be unenforceable in its entirety, the court, if allowed under applicable law, shall eliminate such covenant from this Grant Notice in that case and the remaining separate covenants, as well as all other terms and covenants in this Grant Notice, shall be valid and be enforceable to the fullest extent permitted by law. The covenants set forth herein are intended to be enforced to the maximum degree permitted by law.

[SIGNATURE PAGE TO FOLLOW]

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Grant Notice and by the provisions of the Restricted Stock Units Agreement and the Plan, both of which are made a part of this document. The Participant acknowledges that copies of the Plan, the Restricted Stock Units Agreement and the prospectus for the Plan are available on the Company's internal web site and may be viewed and printed by the Participant for attachment to the Participant's copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Restricted Stock Units Agreement and the Plan, and hereby accepts the Award subject to all of their terms and conditions.

EVERI HOLDINGS INC.

PARTICIPANT

By: _____
[officer name]
[officer title]

Signature

Date

Address:

Address

ATTACHMENTS: 2014 Equity Incentive Plan, as amended to the Date of Grant; Restricted Stock Units Agreement and Plan Prospectus

**Certification of Principal Executive Officer
Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael D. Rumbolz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Everi Holdings Inc.;
2. Based on my knowledge, this Quarterly Report on Form 10-Q does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report on Form 10-Q;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report on Form 10-Q our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q based on such evaluation; and
 - d) Disclosed in this Quarterly Report on Form 10-Q any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 7, 2018

By: /s/ Michael D. Rumbolz
Michael D. Rumbolz
President and Chief Executive Officer

**Certification of Principal Financial Officer
Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Randy L. Taylor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Everi Holdings Inc.;
2. Based on my knowledge, this Quarterly Report on Form 10-Q does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report on Form 10-Q;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report on Form 10-Q our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 7, 2018

By: /s/ Randy L. Taylor
Randy L. Taylor
Chief Financial Officer

EVERI HOLDINGS INC.
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the periodic report of Everi Holdings Inc. (the "Company") on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Michael D. Rumbolz, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: August 7, 2018

By: /s/ Michael D. Rumbolz
Michael D. Rumbolz
President and Chief Executive Officer

EVERI HOLDINGS INC.
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the periodic report of Everi Holdings Inc. (the "Company") on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Randy L. Taylor, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: August 7, 2018

By: /s/ Randy L. Taylor
Randy L. Taylor
Chief Financial Officer